

Nation's Business

A LOOK AHEAD

DECEMBER 1955

OUTLOOK FOR '56

By businessman **HENRY FORD II**

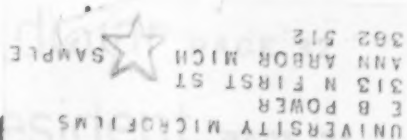
By labor leader **GEORGE MEANY**

By economist **EMERSON SCHMIDT**

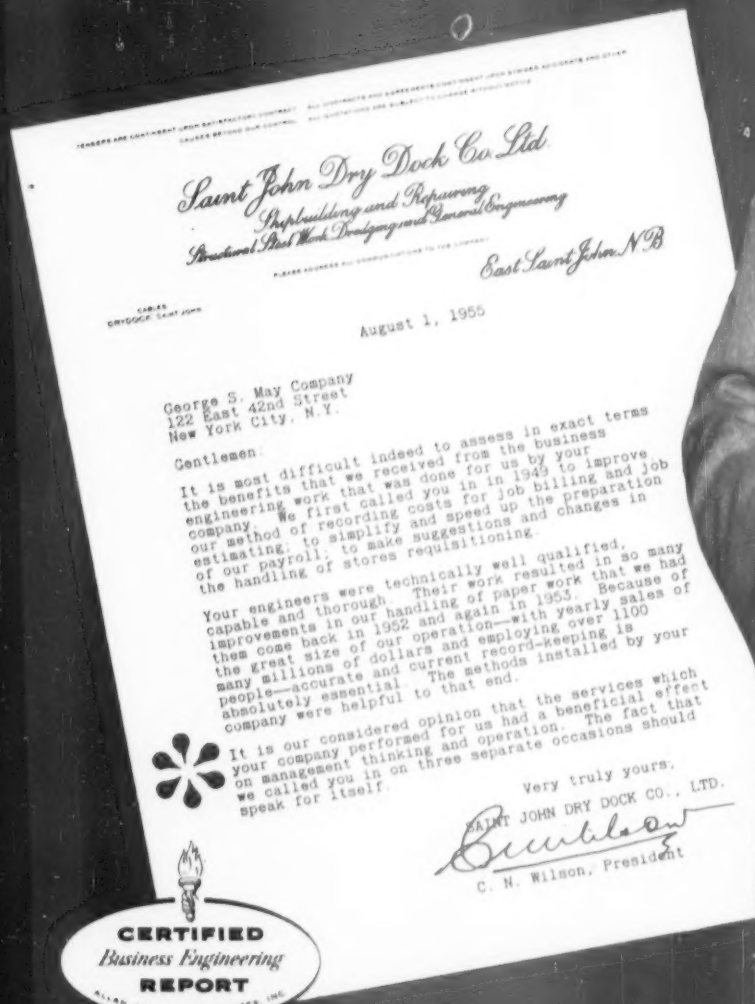
We're heading for a labor government **PAGE 34**

He controls 55¢ of your tax

Here's a look at the next President



...had a beneficial effect on
management thinking
and operation *



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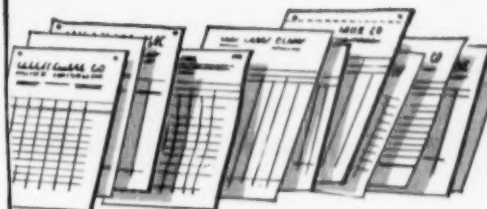
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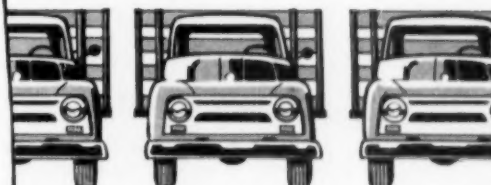
Sales up
\$7200 a week...



Hundreds of new
customers added...



Three new delivery
trucks ordered...



And the telephone is the only salesman!

Here's another example of the *sales-power* of the telephone in developing out-of-town business.

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LONG DISTANCE RATES ARE LOW

Here are some examples:

Indianapolis to Akron	90¢
Philadelphia to Boston	95¢
Dallas to St. Louis	\$1.35
Atlanta to New York	\$1.50
Los Angeles to Washington, D. C. .	\$2.50

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

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Fire Insurance? Sure — well covered. But that fire's going to put him out of business! You see he never knew that nearly half of all businesses that *lose their records* to fire never reopen their doors! Worse still, he didn't realize how securely (and economically) vital records

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If this had been your fire would *your* vital records have come through? Some 200 models of Remington Rand *certified* insulated equipment provide a choice to meet every need in your office. Get full particulars NOW. Ask for SC684 — "Down But Not Out" . . . Remington Rand, Room 2206, 315 Fourth Avenue, New York 10.

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Nation's Business

DECEMBER 1955 VOL. 43 NO. 12

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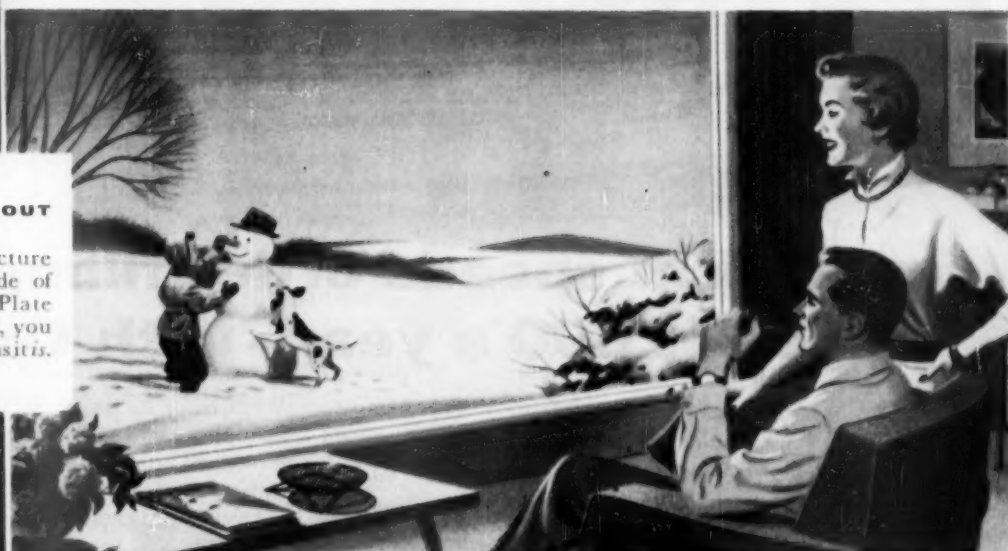
LOOKING IN

through the clear Parallel-O-Plate Glass in a storefront, you hardly know the glass is there.



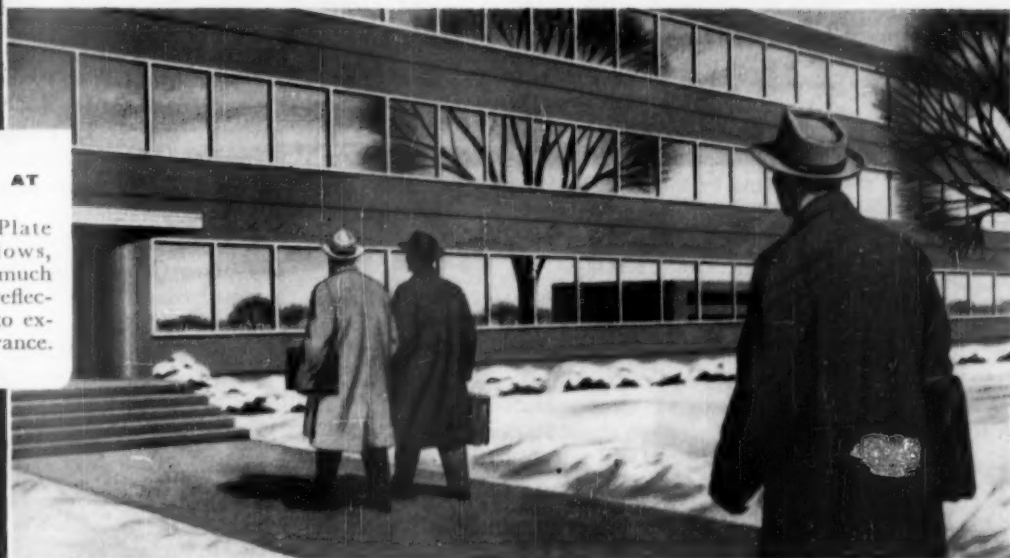
LOOKING OUT

of your picture window made of Parallel-O-Plate Thermopane*, you see the scene as it is.



LOOKING AT

Parallel-O-Plate Glass windows, you see how much its truer reflections mean to exterior appearance.





Small firm speeds order filling and saves \$2600 a year – with Ozalid!

Now the three salesmen of the Midwest wholesaler write their orders on a translucent form... And goods are shipped and billed earlier.

Transcribing and typing orders, and rewriting back orders, have been entirely eliminated; and three old costly manifold forms discarded. Order processing takes less time, saving \$2600 a year.

It's all done with Ozalid! Here's how...

A salesman sends the original order to the home office, where an Ozalid copy is made for the customer as notice of acceptance. The Stock department notes the items on hand; Shipping marks items shipped; Billing enters prices and extensions.

All entries are added to the original order, and an Ozalid copy sent as an invoice.

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Ozalid helps thousands of companies speed paperwork, save time and costs.

Ozalid will copy anything written, typed, printed or drawn on any translucent original. An exact, clean, dry print is made in less than a minute. A letter size sheet costs less than 1½¢.

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OZALID



OZAMATIC (left) is a table model, handles sheets as wide as 16", and can make up to 1000 prints an hour.

►YOU'RE BEING BOMBARDED with issues to come before the next Congress.

So--to save your piling up a lot of clippings--here's a handy checklist for the corner of your desk.

Keep an eye on it after the Speaker's gavel falls on Jan. 3:

1. Foreign trade: Chances are Congress will go along with selective tariff easing--but with built-in protection for affected domestic industries.

2. Labor: Lots of talk here but, as in past, little action. Minimum \$1 wage won't be broadened; no important changes in Taft-Hartley.

3. Social Security: Employers, employees will contribute 2½ per cent (up from 2 per cent) of payroll to finance extended coverage.

4. School construction: Multibillion-dollar federal aid will be authorized (but not appropriated) in cooperation with state, local building programs.

5. Highways: Pressure's too strong not to start action. Prospect: President will urge federal-state program, leave financing methods to Congress.

6. Power resources: Partnership program faces rough sledding in Democrat-controlled Congress--but natural gas is likely to be exempted from U. S. control.

7. Government reorganization: Many recommendations of Hoover, Kestnbaum Commissions will be adopted by executive action. Some legislative action, not much--unless business builds pressure.

8. Taxes and spending: Balanced budget, personal tax cuts are virtual certainty; outlook's not so bright for corporate rate (schedule to drop to 47 per cent on April 1, 1956), or for excises.

9. Farm price supports: You'll begin to hear terms like controlled flexibility pretty soon. That means flexibly rigid farm payments--whatever form they may take.

►IT'S POSSIBLE consumer debt's too low--not too high.

Reason?

Total private debt (about \$122,500,-000,000) is lower relative to savings, discretionary spending power, than in prewar years.

Debt figure includes home, farm mortgages, plus credit purchases.

Figures:

Ratio of consumer credit to savings, spending power has dropped from 31 per cent in '40 to 22 per cent today.

►Size of tax cut depends largely on economy in government operations, particularly in Defense Department.

Here's why:

Defense takes 61 per cent of federal expenditures. That amounts to about \$39,000,000,000.

Fixed charges (debt interest, veteran aid, etc.) take 26 per cent of budget.

Remaining 13 per cent is for all other government operations.

But Defense drags its heels on budget chopping:

Hoover Commission report indicates savings of \$3,000,000,000 can be reached in 19 steps.

Nine steps can be taken by administrative action--rest need congressional action.

Rundown of Defense budget shows little support--but much opposition--to these money-saving steps.

Best hope: That Congress will force economies through legislation.

►HOW BROAD is base of current boom?

Economists seek the answer--so do politicians.

Study of latest net income reports may help:

749 companies in all fields show income gain of 31 per cent over year ago.

Dollar-wise, gain for these firms jumps from \$5,852,227,000 to \$7,651,-848,000.

Gains range from 2 per cent in food products to 88 per cent in textiles and apparel.

Note: In only one category (electrical equipment, radio, television) is there income dip--2 per cent.

►PROPOSED FEDERAL assistance agency faces dim future in Congress.

That's agency to aid labor-surplus areas, notably in New England, eastern coal mining regions.

Here's how battle shapes up for next year:

Both Commerce, Labor Departments (long feuding anyway) want to administer proposed agency's funds, appoint personnel, select areas of aid.

That means Congress is likely to compromise, weigh arguments from both factions, leave aid program largely to existing capital sources.

Note: Suggested federal aid funds run to about \$3,000,000 annually. Proposal has President's backing--and that can add fuel to fire.

►TWO SETS of figures make auto makers study market potential.

1. Rate of growth in passenger car total registration dips over five year period.

The figures:

From '50 to '51 growth rate totaled 7.2 per cent; from '52 to '53, 6.0 per cent; '53 to '54, 5.2 per cent; '54 to '55, 5.1 per cent.

2. Meanwhile, scrap age of cars increases.

In 1925, age of cars on the junk heap was 6.5 years.

In 1935, age jumped to 8.3 years.

In 1955, it's 14.3 years.

►UNCLE SAM'S lending agencies don't practice what they preach--on credit limitations.

That shows up in study of Budget Bureau report which highlights:

1. Federal credit guarantee, lending operations, now cover 40 per cent of all mortgages.

(Note: In beginning, FHA, VA, other loan programs, were emergency measures.)

2. Loans and commitments outstanding come to more than \$58,000,000,000.

New commitments for fiscal year ending next June 30 total another \$20,500,000,000.

3. Loan guarantees are up 100 per cent in five years.

That compares with gain of 69 per cent in total loans of all commercial banks.

►INVENTORIES ARE at highest point in history.

So are sales.

Look at both figures to see where economy stands on production, consumer demand.

Remember, too: New orders coming in round out over-all picture.

Manufacturing, trade firms count up record \$82,000,000,000 inventory as of this month.

That's more than \$3,000,000,000 above year ago.

Meanwhile, sales at all levels reach record total of \$53,000,000,000, up \$6,500,000,000 from '54--and with Christmas still to come.

New orders for manufacturers amount to more than \$29,000,000,000.

That's \$6,700,000,000 above '54.

►BY END of this month, General Motors will have recorded net earnings of more than \$1,000,000,000 for this year.

This will be first time in history any firm--in any country--has passed the \$1,000,000,000 mark in net earnings.

To make this profit General Motors sold \$10,000,000,000 worth of its product. This is also biggest volume of sales ever recorded by any company, anywhere, in any year.

►WATCH FOR fight in Congress over government union legislation.

The background:

National Federation of Post Office Clerks (AFL) seeks wider collective bargaining powers.

Union has 150,000 members, 3,000 locals, is one of Washington's freest spending lobbies.

But it faces uphill battle--two previous Congresses have sidestepped issue.

What to expect: House Post Office and Civil Service Committee will let issues simmer.

But, despite pressure, it won't recommend legislation giving government unions more power.

►NEW HOUSING STARTS tell only part of over-all building story.

Keep that in mind when you hear about possible new home building dip in '56.

Construction experts point to remodeling, repair as strong props for next year.

They say:

Modernization segment of market will top \$15,000,000,000.

That's greater amount than was spent

washington letter

for all new housing during '54.

By this year's end, too, builders say repairs will account for about 38 per cent of construction market.

That compares with 45 per cent for new housing starts.

► **KEEP YOUR EYE** on Federal Eight-Hour Law amendment.

Law in general provides for overtime payment after 8 hours work in day, at time and a half.

Proposed amendment (S. 1204), now in Senate Labor and Public Welfare Committee, would:

1. Extend law to federal-aid work, including highway construction.
2. Give employees right to sue for criminal penalties against employer.
3. Increase power of Labor Secretary to enforce law.

Note: If amendment becomes law and public works skyrocket, you can expect added inflation pressures.

► **INDUSTRIAL DISPERSION** problem is solved.

Where new defense-related industries should be located has been bone of contention among government agencies for years.

Many--like ODM, Defense Department--have been expected to issue policy statements "any day now."

Policy was to set up rules for plant expansion, define target areas, etc.

Now it appears U. S. has had a firm policy all along, doesn't need a new one. The policy?

National security production contracts are to be placed where possible to avoid heavy concentrations of key defense industries in single locations.

Policy was established in 1947 by Fin-letter Committee.

Question:

How much money has been spent since '47 by agency subcommittees, congressional groups, others, to work up new--and unneeded--dispersal formula?

► **IS YOUR PAPERWORK** getting out of hand?

If it is--and you want to weed it out--here's a suggestion:

Don't go over reports you get now, try to eliminate some.

Instead, look at your over-all operation--short term profits, long term growth, competitive position.

Then list functions in each area you need to have at your fingertips for profitable operation.

Reports from these sources will sum up major factors in your operation, show you where you're going, what more you need to do.

Does it work?

One manufacturer tried it, cut its top-level reports from 560 to 140, number of copies distributed from 2,800 to 460, number of reports to president from 83 to 18.

► **IF YOU WANT YOUR FUTURE** told, here's where to go:

Wall Street, Washington, Los Angeles.

These locations, says New York financial analyst, have heaviest concentration in U. S. of fortune tellers, tea-leaf readers, crystal ball gazers.

► **BRIEFS:** Auto credit sidelight:

Of all cars on road today, 66 per cent are four years old or older; 70 per cent of these are owned free of debt. . . . Americans will spend more than \$300,000,000 this year for outboard motors, boats; 30 per cent are sold on installment plan, compared with 60 per cent for appliances, 55 per cent for furniture. . . . Union Carbide and Carbon Corp. has produced average of one new product a month for past 25 years. . . . More than half of nation's 65,000,000 workers are not in production, but in service industries; today, there are more clerical workers (8,000,000) than farmers. . . . 70 per cent of American families own a car--and 12 per cent of these own more than one, double the number of five years ago. . . . Simplified ticket billing on one major airline (United) has brought 75 to 90 per cent savings in clerical costs in billing department. . . . Eight states boost income tax levies on corporations this year and more are expected to follow next year; 32 states and District of Columbia now impose these levies, ranging from 1 to 8 per cent. . . . Religious giving in the U. S. will top \$2,800,000,000 in '56; most goes for construction; repairs.






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Businessmen say ▼ ▼ ▼ ▼ ▼

Sees threat in merger

Your editorial in the November issue "No monopoly on merger hearing" carefully avoids one type of merger that should really cause concern.

I refer to the merger of AFL and CIO unions into a giant union. There is little doubt that such super-giant organizations uncontrolled by antitrust and other restrictive laws pose a serious threat to the peace and harmony of our economy.

WAYNE I. PRIBBLE, PRES.,
Pribble Plastic Products, Inc.,
New Haven, Ind.

The business of farming

I wish to advise you of our new address. We enjoy the magazine and sincerely believe it helps even a cow and hog raiser.

V. C. HOBBS,
Sawyer, Okla.

Success and its pitfalls

We found this article ["Success Won't Save Your Business," October] informative and interesting, and would like to have 50 reprints.

WELLS WOODY,
Texas Sash & Door Co.,
Fort Worth, Tex.

That's an eyeopener, believe me!

A. S. EVES,
Perfection Tool & Metal
Heat Treating Co.,
Chicago, Ill.

You have done your readers a real service by offering this noteworthy article to them.

NORMAN SORESENSEN, Pres.,
Country Gardens, Inc.,
Milwaukee, Wis.

The article is such an excellent presentation that I would like very much to get 50 copies to distribute to my class.

DONALD M. DEFORREST,
Professor of Economics
Penna. Military College
Chester, Pa.

Every article in your October issue was extremely timely and interesting. The information contained in this one issue was worth far more than the subscription price. Please

send me five reprints of "Success Won't Save Your Business."

W. B. EICHENBERGER,
General Manager,
Heacock Door Mfg. Co.,
Portland, Ore.

New model pig

Having read with interest the article "Farms Retooling for New Model Pig" in the October issue I was impressed with the paragraph pertaining to the Landrace hogs.

Would it be possible for you to inform me just where one of these Landrace hogs can be located or purchased?

H. H. GANTT, President,
Polynesian Arts, Inc.,
Mayfield, Kentucky

The American Landrace Association,
Noblesville, Ind., can recommend a list of breeders.

Credit is sound

We think this is an excellent article ["Credit Is Not Too High," October] because it serves to combat the many unfounded newspaper stories and magazine articles that have been published about the "deplorable condition" of consumer credit. Those of us that are close to the picture know that the amount of consumer credit outstanding is not an alarming figure. We also know that credit granters are responsible businessmen and will not overload customers as many articles might lead the reader to believe.

HAROLD A. WALLACE
Associated Credit Bureaus of
America, Inc.,
St. Louis, Mo.

Just don't like 'em, that's all

There is an article ["Throw Away Your Business Grammar"] in the August issue about a study which the New York Life Insurance Company made on the subject of writing more effective business letters. A list of 90 words, commencing with "abandoned," and ending with "wrong" appears in a box captioned "Most people dislike these words."

The reason for this is not clear to me. Who dislikes them and why? Does it mean that the receiver of the letter dislikes those words when ap-

plied to him or has it been found that the words are generally disliked in all cases, regardless of how they are used? Words like "decline," "negligence," "liable," "blame," and "fault," are often used in correspondence dealing with claims. Will you please let me know how the conclusion that all of the 90 words are disliked was reached, and the basis for it.

E. R. CARRICO,
Norfolk & Western Railway Co.,
Roanoke, Va.

The study of semantics shows that certain words suggest unpleasant associations in whatever context they're used. People's dislike intensifies when the words are applied to them and their affairs.

Sometimes the words have to be used anyhow.

Jobless pay

I want to congratulate you on your article on unemployment insurance ["Jobless pay up \$175,000,000," October]. It is an unusually good job and will be of real help in promoting a better understanding of our program.

ROBERT C. GOODWIN,
Director,
U.S. Bureau of
Employment Security
Washington, D. C.

Help for the military

Permission for local reproduction of this excellently prepared and presented article is requested ["Reserve Act Aids Personnel Planning," October].

Distribution is intended for Army Reserve advisers and Reserve unit commanders within the Michigan Military District for use in orientations presented to groups of businessmen.

MAJ. EUGENE F. MENVILLE,
Hq. Michigan Military
District
Detroit, Mich.

He's so right

This month's Goof Award goes to your Washington letter staff for the statement "population grows faster than productivity . . . GNP up to \$400 billion from \$360 billion . . . while population is up 3.5 per cent . . ."

My slide rule says a population rise from 162,945,000 (Sept. 1954) to 165,762,000 (Sept. 1955) is only 1.73 per cent.

We're a prolific people, but, but, but . . .

J. B. MAILLIE,
Market Research Manager,
Wood Conversion Company,
St. Paul, Minn.

Mr. Maillie's slide rule is correct and our comparisons askew. But, dated

Kelvinator HOT 'N COLD cuts Coffee-Break Time 50% (and more)!

Piping hot water for instant coffee
saves thousands of dollars
a year . . . serves refreshingly
cool water, too!

HOT 'N COLD USERS REPORT:

"Coffee-break averaged 20 to 30 minutes before the Hot 'n Cold—now it runs from 5 to 10 minutes!"—C.L.D.

"Saving \$15.00 to \$20.00 a day . . . coffee-break cut by two-thirds!"—A.J.S.

"Saving about \$10.00 a day! Kelvinator Hot 'n Cold doing a fine job!"—A.R.C.

You should know the facts about the outstanding performance records being set by the great new Kelvinator Hot 'n Cold. These are but a few examples of how companies are saving thousands of dollars a year with a Hot 'n Cold. And here's more big news:

FREE Beverages with each Hot 'n Cold in Kelvinator's Special "Get Acquainted" Offer! September 15 to December 15.

Don't miss this! During this 3-month period, each buyer of a money-saving Hot 'n Cold will receive, absolutely free: 100 Packaged Beverages (Freshly sealed, self-service envelopes of instant coffee, chocolate, beef broth and chicken broth, plus Pream and sugar) . . . 100 Cups . . . 100 Spoons.

Kelvinator Hot 'n Colds can be equipped with specially designed cup dispensers and self-service beverage dispensers—optional accessories at a slight additional charge.



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from last official census, our opening statement is true.

Pass-around potential

This article ["Throw Away Your Business Grammar"] was most interesting and gave much food for thought. It was one that we tagged and sent around to various department heads and their personnel to read. The contents of this article are too valuable to pass off as the magazine becomes discarded and I am writing to inquire if 12 reprints may be purchased so department heads and supervisors may have them for reference.

HAROLD D. ATWOOD,
Western Massachusetts
Electric Co.,
Greenfield, Mass.

Reprints available four cents each, or
\$4 a hundred from Business Manager,
Nation's Business, 1615 H Street N.W.,
Washington 6, D.C.

Women and Indians

In your July issue are two articles of extreme interest to us.

The Wesleyan Service Guild is the Business Women's group of the Methodist Church and part of our program is the study of various subjects of interest throughout the world. This year one of our studies is the "Indian American" and so your article "U. S. Aim: Give Indians a Chance" fits in perfectly with our program material and we would like to use it in the North Texas Conference area composed of 90 guilds, eight districts.

The other is "Industry Will Need 2,000,000 Women," which is of interest to our Status of Women division.

VERA HENDRIX
North Texas Conference
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Dallas, Texas

Required reading

I find myself eagerly looking forward to each monthly issue, which is carefully read and subsequently circulated to all of my associates with comments as to "must" reading. All in all, you are performing a very timely service to your readers, which is bound to further increase the readership along with the stature of *NATION'S BUSINESS* as a "must" management publication.

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FRED DECKMART
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BY MY WAY

R. S. Duffus



Travel can be work

A while back we went to the airline terminal and became something other than our usual selves—to wit, we became "passengers Duffus," and were so addressed over the loud speaker. Our journey took us to Scotland, to Ireland and to England, without anything that could be called an adventure. Sometimes it was fun, sometimes—as all travelers must admit—travel is hard work. The best of it, indeed, is talking about it and thinking about it afterwards. We met a Florida lady in a Dublin hotel, who had been traveling alone for about a month and was counting impatiently the 11 days that must pass before she could take ship home. By this time, though, I am sure her journey is enveloped in romance. I hope so.

The rights of sheep

I have learned since our trip to Scotland several years ago that the signs, "Beware of Sheep," do not mean what they seem to. Scottish sheep are no more ferocious than any other sheep. They will not attack unless greatly provoked. They do, however, wander out on unfenced roads, and the Scots wisely believe that an encounter between a motor car and one or more sheep doesn't do either party any good.

Scots wha' hae, etc.

The only Scotch things in Scotland are whisky and a few other things that are good to eat or drink. There are Scots but no Scotchmen. Strangers who keep this fact in mind get along in Scotland just a little better than those who don't.

Macbeth's home town

In Forres, Morayshire, Scotland, one encounters many of the names mentioned in Shakespeare's famous tragedy. But Macbeth is now a respected butcher, in business with

his son; Duncan operates an excellent taxi service and nobody thinks of clobbering him to get his crown away; and you can go to MacDuff by bus, though I did not have time for this. I think this all shows that the world gets better, however gradually.

Our castle in Scotland

My family has a castle in Scotland. To be strictly honest, I should qualify this statement by observing that, *a*, the castle has been taken over as a national monument, and so does not belong to us; *b*, we don't know that it ever did belong to our branch of the family, which originated in Peterhead and has no strawberry marks on the left shoulder or other marks of noble blood; *c*, it has no roof to speak of and is otherwise in bad repair, and lacks



modern conveniences of the simplest sort, and I am not sure I would care to live there even if I could. But the castle is real, and I trust I will be pardoned if I sometimes dream of an eminent character bearing our name some centuries ago who was such a good executive that his subjects set upon him in the nearby town of Forres and cut him into rather small pieces; I infer that he was not popular. Personally, I would rather be popular—or even obscure and unnoticed. I walked around Forres quite a lot and nobody came after me with a dirk.

Days off in Scotland

The Scots have an institution known as a local holiday. There are five of these in each year, they fall on a Monday, everything not ab-

olutely essential to life closes up, and these holidays do not celebrate any anniversary or any other occasion. An effort is made to arrange them in such a way that they do not occur simultaneously all over a given area. This permits the citizens of a community which is having its holiday to go over and celebrate according to their tastes in a community not too far away which is not having a holiday. Sometimes this plan fails, as when an enraged delegation of pilgrims from Aberdeen found themselves in Inverness on an Inverness holiday and were unable to buy anything to eat or drink. I had been taught to believe that all Scots worked 168 hours a week 365¼ days a year, and this modern custom surprised me. Between holidays, though, the Scots do a lot of work—they have to.

Rails, the world over

And, speaking of railways, there's something about railway men that's the same the world over—at least, in those parts of the western world I have seen. I believe some men were born to be locomotive engineers, conductors or brakemen (guards, as the British foolishly



call them), and others couldn't ever be such. A locomotive engineer resembles an airplane pilot in courage and a sense of responsibility, but he isn't dashing. I always wanted to be a locomotive engineer. I suppose I never shall be. But I never longed to operate an airplane—I want rails and earth under me, not clouds, when I take the controls. Clouds are too thin for my tastes.

Rivers and cities

I think all great cities (and smaller ones, too) should be built on both banks of rivers. My happiest memories of the places concerned are of strolls (not hikes) along the borders of the Seine, the Thames, the Tiber, the Arno, the Liffy and (in our own country) the Potomac, the North and East Rivers, the Mississippi (at St. Louis and New Orleans), the Sacramento, the Connecticut and the Winooski. Any reader identifying all of these rivers, and locating the same, especially the last, will positively not receive a prize of any kind. But I do like rivers, and, next to rivers, docks.

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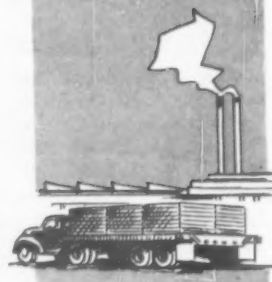
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Trends of Nation's Business:

State of the nation

By Felix Morley



Presidential succession: a problem Congress has to face

FEW of us are today familiar with the unusual name of Aedanus Burke, who served as a representative from South Carolina in the First Congress of the United States. Yet Mr. Burke deserves to live in memory as one who early bolstered our national tendency toward optimism. He told the fledgling Congress that it need not bother about the problem of succession to the Presidency because, "under the laws of chance," only once in every 840 years would both the President and Vice President die in office.

The passage of 163 years, since the gentleman from South Carolina made this calculation, has so far justified him. But in that period seven Presidents and seven Vice Presidents have died in service. Thus, of the 42 presidential terms to date exactly one third—14—have been marred by the death of either the President or his deputy. In addition, one Vice President (John C. Calhoun) vacated that office by resignation and three Presidents, counting the disability of Mr. Eisenhower, have been for long periods partially incapacitated. The Congress, thus warned, has on three occasions overruled Mr. Burke to pass laws governing the presidential succession, the last as recently as 1947.

• • •

No part of the Constitution has aroused more debate, throughout our history, than the paragraph in Section 1 of Article II which deals with the presidential succession. As capitalized and punctuated in the original document, it reads:

In Case of the Removal of the President from Office, or of his Death, Resignation, or Inability to discharge the Powers and Duties of the said

Office, the Same shall devolve on the Vice President, and the Congress may by Law provide for the Case of Removal, Death, Resignation or Inability, both of the President and Vice President, declaring what Officer shall then act as President, and such Officer shall act accordingly, until the Disability be removed, or a President shall be elected.

This phrasing places a heavy responsibility on Congress, in the event of any presidential incapacity. It clearly authorizes that body to decide "what officer" shall "act" as chief executive if both the President and Vice President are incapacitated. But it is somewhat ambiguous as to whether the Vice President should become President, or merely acting President, in the event of the removal, death, resignation or inability of his chief. What is the antecedent of the phrase: "the Same shall devolve on the Vice President"? If it is "Office," then the Vice President should step into the presidency itself, as now established by custom in the case of death. But if "the Same" refers to "Powers and Duties," then the intent was that the Vice President should merely assume presidential functions temporarily, as acting but not actual President.

Undoubtedly the latter was the plan of the Founding Fathers. This is demonstrated by the original drafts of the Constitution, before the wording was condensed and in this case made obscure by the editing of the Committee on Style. There is further evidence to this effect in the minutes of debates during the Constitutional Convention, and also in other sections of the Constitution as adopted. For instance, Article II specifies that both

State of the nation

the President and the Vice President shall be "chosen for the same term"—"of four years." This holds good only if a Vice President, filling an unexpired presidential term, continues to be Vice President, though acting in presidential capacity.

Unfortunately, none who had participated in the drafting of the Constitution were still around when the issue came up for test, on April 4, 1841. On that day, just one month after taking office, President William Henry Harrison died, creating the first White House vacancy. Because virtually all of Harrison's term was still to run, Vice President John Tyler had himself sworn in as tenth President of the United States. In this action he obtained the invaluable support of Daniel Webster, then serving as Secretary of State. Many prominent men—such as John Quincy Adams, James Buchanan and Henry Clay—protested that Tyler was only acting President. But he asserted his claim forcefully, and a fateful precedent was established.

It was curiously fortified when Andrew Johnson moved into the White House after Lincoln's assassination. The resolution impeaching Johnson, as it passed the House, referred to him as "Vice President and acting President." But Johnson's many enemies in the Senate decided that their case would be stronger against an actual rather than an acting President and therefore agreed to bring the indictment against him in the full capacity. Thus was confirmed a practice of dubious constitutionality—that the Vice President becomes President when the lesser officer assumes the higher office.

But two serious problems have arisen from this loose interpretation of the Constitution. If the Vice President assumes the office of President in the event of the latter's death, should he not do likewise in the event of the President's "Resignation or Inability"? And if the elevated Vice President then in turn is incapacitated, what should be the status of the next in line for the Presidency? Under the Presidential Succession Act of 1947 this officer would be the Speaker of the House, who would become only acting President after resigning as speaker and as a representative. There is no logic in an arrangement whereby the second in line becomes actual President while those designated after him would only act in that capacity.

These difficulties, again brought to the fore by President Eisenhower's illness, have twice before caused dangerous confusion. President Garfield was shot and fatally wounded on July 2, 1881, but lingered until Sept. 20 of that year. President Wilson was paralyzed on Sept. 25, 1919, yet as an invalid lived out the presidential term running to March 4, 1921. For 80 days in the case of Garfield,

and for more than 19 months in Wilson's case, an obviously incapacitated man retained the presidential office. In both cases Congress had full power and clear responsibility to act. In neither case was any authorized person empowered to take charge, largely because of the uncertainty that exists as to the status of the vice presidential succession in the event of presidential disability.

The fault, we must realize, is not constitutional. Under the organic law, the Congress of 1881 should have declared that Vice President Arthur would act as President during the inability of his chief; the Congress of 1919 should have done the same with respect to Vice President Marshall. The Founding Fathers knew that executive power is necessarily continuous, and that the only issue is whether it shall be exercised by authorized or unauthorized hands. But their design has been upset by the irregular precedent under which the Vice President inferentially becomes President whether the Chief Executive dies, resigns or is incapacitated.

A further complication has now arisen. The Executive Office of the President, formally established in 1939, has rapidly developed into a large and vital agency of government. At its head is an "Assistant to the President," now Mr. Sherman Adams, who is in many respects more nearly an Assistant President. While a President can never escape underlying responsibility, an increasing proportion of his decisions will henceforth in all cases be made for him by this assistant.

The Constitution assumes that, during any incapacity of the President, his elected associate, the Vice President, will move in to fill the vacuum. But what happened, during Mr. Eisenhower's protracted hospitalization, was that the functions were divided between the Vice President and the Assistant to the President. In fact, Mr. Adams has been more nearly acting President than Mr. Nixon.

Custom has established that the Vice President shall accede to the Presidency whenever that office is vacated by death. Custom could also easily establish an unelected assistant as acting President during a temporary incapacitation of the Chief Executive. Congress alone can eliminate this developing anomaly, and with a third warning in the Eisenhower illness, Congress should do so.

One of our leading political scientists has suggested a simple solution. In her book on "Presidential Succession," published four years ago, Dr. Ruth C. Silva proposed congressional action to create the office of Assistant President, its incumbent to be named by the President under senatorial confirmation. This officer could act as President during a brief incapacitation of the latter, and could also continue as assistant if the Vice President assumed the presidential office as a result of death. It is the best suggestion yet made to resolve a very serious constitutional problem.



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WESTERN UNION

Trends of Nation's Business:

Washington mood

By Edward T. Folliard



Here's a look at the next President

THE IDENTITY of the next President of the United States is a riddle made even more fascinating by the talk of wide open conventions in 1956. But it seems safe to make two predictions about him, whoever he is to be.

First, the next President will be a moderate in his political thinking, a mild progressive or middle-of-the-roader, no matter which party wins the election.

Second, if it be assumed that Dwight D. Eisenhower will retire after this term, the next President will be sharply different in background and personality from the White House occupants we have known in the past ten years.

There are good reasons for believing that the new Chief Executive will be a moderate, satisfactory neither to extreme conservatives nor the extreme liberals. The best reason is that the two parties are not likely to nominate any other kind.

When the Democrats assemble in Chicago next August and the Republicans in San Francisco the following week, they will have one overriding thought—to nominate a winner. They would prefer, naturally, that he be attractive, have a good record, and be a pleasing orator. But, above all, they will want a man who will inspire confidence, and who will not frighten the voters.

The atmosphere of today's America makes it politically mandatory that the delegates pick such a type. The country is not afraid of change, because this is a time of change. Consequently, there would

be no objection to a candidate who called himself a "progressive," or, in the Eisenhower phrase, a "moderate progressive." But the country is in no mood to follow, on the one hand, a reactionary yearning for the good old days, or, on the other, a reformer panting for the millennium.

• • •

Taking up the second point, the men who are being groomed or boomed for the 1956 presidential race are decidedly unlike the two who have dwelt in the White House since 1945.

That doesn't necessarily mean that the next President won't be distinguished and popular. If good times continue without war, it is likely that the American people not only will accord him the traditional respect due his high office, but their admiration and affection, too.

Still, he will be something very new to them after Eisenhower and Truman.

There is nobody on the national stage, or in the wings, like President Eisenhower. Here is a man who in the space of a few years went from no stars to five stars, a man whose wonderful, three-letter nickname was shouted, sung and scrawled on tens of thousands of placards in '52, and who found that being an amateur in politics was an asset rather than a handicap in winning the Presidency.

It is no explanation of General Eisenhower's success to say that he was a war hero. There were other great commanders in World War II; men who thrilled the allied world with their victories, who won fame, admiration and a niche in history. But none was so successful as General Eisenhower in winning the hearts of his countrymen.

The story of that ebullient professional, Harry S. Truman, is another not likely to be repeated in our times.

A captain of artillery in World War I, he found himself afterward, at the age of 38, a failure in a Kansas City haberdashery business. Twenty-five years later, when he was in the White House, there were people who continued to sneer at him for that failure. But some of our historians believe that these people may have seriously underrated the Missouri gamecock. They think that there is a good

Washington mood

chance that Mr. Truman some day will rank high in the roster of American Presidents.

Anyway, there never was a campaign to equal that which Mr. Truman waged in 1948. Having traveled on his train, and also on the Dewey train, I never had any doubt that he won the election through his own efforts, by his down-to-earth oratory and by his frank appeal to the voters to mark their ballots for him.

"You vote for me on election day," he would say, smiling, "and then the madam and myself won't have any housing problem in the next four years."

Candidates for sheriff may have talked that way here or there, but the political reporters of my generation had never heard such talk in a presidential campaign. Nor are we likely to hear any such in the future. Truly, HST is in a class by himself.

As 1956 draws near, clamor for wide-open conventions in both parties is mounting. Naturally, this brings to mind the Republican convention of 1920, and it might be worth while to go back and take a fresh look at it.

It is hard to believe now but when World War I ended, it seemed almost certain that the next Republican nominee for President would be Theodore Roosevelt. He was regarded as the logical candidate.

Most of us, I imagine, would assume that a man who was President from Sept. 14, 1901 (when he took over from the martyred McKinley) to March 4, 1909, would be too old to serve as President again 12 years later. The fact is, of course, that T.R. was only 42 when he succeeded McKinley, and therefore would have been no more than 62 in the campaign of 1920.

As it turned out, the Rough Rider died Jan. 6, 1919, thus making it certain that hats would fly into the ring at the Republican convention the following year. It was a time when G.O.P. prospects were bright, because the country seemed to be fed up on the Wilson Administration.

The battle for the Republican nomination started early, was hard fought, and expensive. The top contenders were Gen. Leonard Wood, an old friend of Theodore Roosevelt; Frank O. Lowden, Governor of Illinois, and Sen. Hiram Johnson of California. There was some talk about Sen. Warren G. Harding of Ohio, but his candidacy aroused little enthusiasm outside of his home state, and, as one writer put it, very little even there.

Harry Micajah Daugherty, Harding's campaign manager and later Attorney General in his Cabinet, set up a headquarters in a Washington hotel. He

predicted that the Republican convention would wind up in a deadlock of the Wood-Lowden forces, and that the party leaders would get together "about 2:11 in the morning" and agree on Harding.

Both the Wood and Lowden people had spent a good deal of money rounding up delegates, with the result that there were cries that the moneyed interests were out to buy the Presidency.

Anyway, the deadlock that Daugherty predicted actually developed in the convention.

By the eighth ballot, the party leaders were looking for a compromise candidate. A group of Old Guard senators met with George Harvey, the editor, and talked it over at dinner. About 2 a.m.—only 11 minutes off Daugherty's schedule—Harvey sent for Senator Harding. He asked the Ohioan whether there was anything "that might disqualify you or make you inexpedient either as candidate or President." Harding went into another room alone, pondered for ten minutes, and then came back and said there was not.

Harding was nominated on the tenth ballot.

"We drew to a pair of deuces and filled," he said later, talking to reporters.

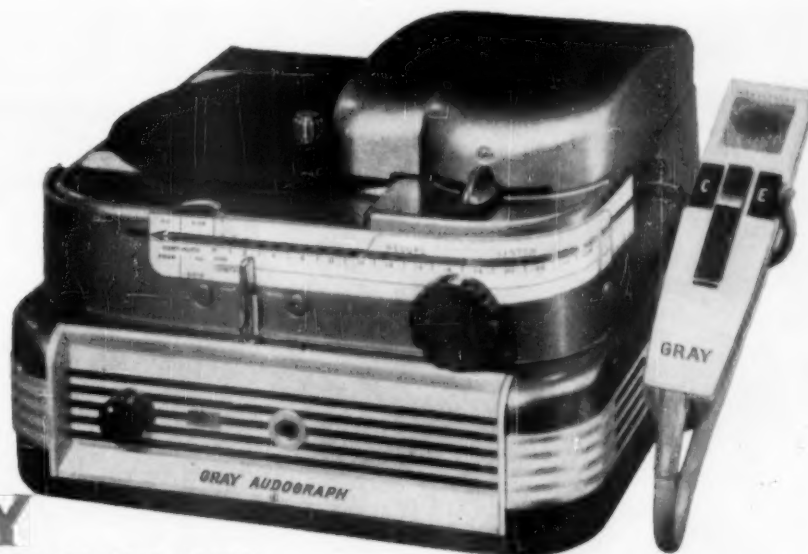
That convention, which brought the phrase "smoke-filled room" into the jargon of politics, is not regarded as a happy chapter in the history of the Republican Party because of the scandals that developed in the Harding Administration. Technically, however, it was a wide-open convention up to a point, and therefore in the democratic tradition.

It is well known, of course, that some Republicans want to head off a battle and a possible deadlock at the 1956 convention. If they can't have President Eisenhower as the nominee, they want him to name the nominee.

It is almost certain that no man could win the Republican nomination if he were distasteful to the President, and this fact were well known. Just the same, there are stalwart Republicans who hope that the soldier-statesman won't attempt to dictate a choice to the convention, but will instead let the delegates have their way, and then get behind the candidate who comes out on top at San Francisco.

As the weeks have gone by since President Eisenhower's heart attack, there has been a noticeable change in the political atmosphere. The hopes of the Democrats are high, much higher than they were before the Chief Executive was stricken. At the same time, the Republicans are not nearly as dismayed as they were when the bad news came from Denver on Sept. 24. They are giving more and more thought to their record—65,000,000 gainfully employed, silent guns, reduced government spending, tax reduction. They are persuading themselves that they've got something in the way of a sales argument, no matter who heads the G.O.P. ticket.

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consuming public must pay more for freight transportation than would otherwise be necessary.

What can be done to correct this unhealthy situation?

The special Cabinet Committee recommended that railroads and other forms of regulated transportation be given greater freedom to base their prices on their own natural advantages. At the same time, government regulation would continue to prevent charges which are unreasonably high or unreasonably low, or are unduly discriminatory.

This would make it possible to pass on the benefits of the most efficient operations to shippers, producers and retailers, and to the consuming public which in the end pays all transportation costs.

Bills based on Cabinet Committee recommendations have been introduced in Congress. For full information about this vital subject, write for the booklet, "WHY NOT LET COMPETITION WORK?"

Association of American Railroads

920 Transportation Building • Washington 6, D. C.



OUTLOOK FOR '56

By economist **EMERSON P. SCHMIDT**

The coming 12 months can be America's best business year. With few exceptions across the country, business in 1955 has set new records, and the increase in most lines promises to continue in 1956.

Retailing strength—bringing the biggest Christmas volume in history—should carry over to give the year a strong start.

Unfilled orders already in manufacturers' hands will help maintain this impetus.

New construction—exceeding \$41,000,000,000 in 1955—will also carry over.

Auto demand promises to continue high.

New raw materials, new methods, the growth of automation, plus competition, will force companies into modernization programs.

Tax cuts, predicted for 1956, will leave taxpayers more income to invest or spend.

Inflation is not in prospect.

The down drift in agriculture is unlikely to spread to the rest of our economy.

To see unmistakably into the future, of course, is not given to man. Surprises—pleasant and unpleasant—are likely. But, insofar as it is possible to weigh and assess recent trends, optimism for next year is justified. For example:

Nearly all economic indicators have reached new

highs. Production of goods and services—running at \$285,000,000,000 in 1950—is now running more than \$100,000,000,000 higher. Even allowing for the Korean 12 per cent inflation, this represents a fabulous gain in five years.

National income, with a previous high of \$304,000,000,000 in 1953, reached a rate of more than \$320,000,000,000 in 1955.

In the past year, labor income increased by more than \$15,000,000,000.

Weekly wages in manufacturing in August a year ago stood at about \$71. This year they were more than \$77, not including considerable increases in fringe benefits.

In August, the total number of jobs reached 65,500,000, a growth of 3,000,000 in a single year. Unemployment dropped to about 2,200,000, or a shade more than three per cent of the total civilian labor force. This level is generally regarded as close to the irreducible minimum.

The index of physical production, which reached a high of 137 in 1953 and declined to 123 in 1954, has now pushed above 140—a new all-time high.

Thus, in spite of gloomy predictions a year ago, the economy has moved into high gear and is now operating at virtually full capacity. It is going, in fact,



Dr. Emerson P. Schmidt is a leading economic analyst and consultant. Since 1943 he has been Director of Economic Research for the Chamber of Commerce of the United States

at something exceeding full capacity, in the opinion of some observers who point to scarcities and upward price pressures, particularly of some labor skills, and of some raw materials, including building materials, nonferrous metals and a number of other items.

Recovery has been so strong that the monetary authorities felt compelled to create somewhat tighter credit conditions in order to continue the policy of sound money. This policy is designed to make borrowing only as easy and as cheap as is consistent with general price stability.

Whether we can maintain this price stability is one of the questions most frequently raised by those who ask: "What's ahead in 1956?"

Other areas in which doubts are expressed about the future include agriculture, private debts, auto sales, construction and money supply.

For a clearer picture of what the future may hold, it will be useful to look at each of these fields individually.

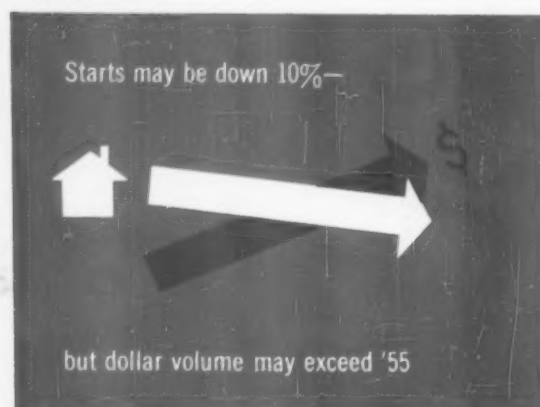
Consumer prices have been remarkably stable since 1951 when the index stood at 111, or 11 per cent above the 1947-49 average. It rose to 113.4 the next year and has been generally stable at about 114.5 for the past two years.

What about the year ahead?

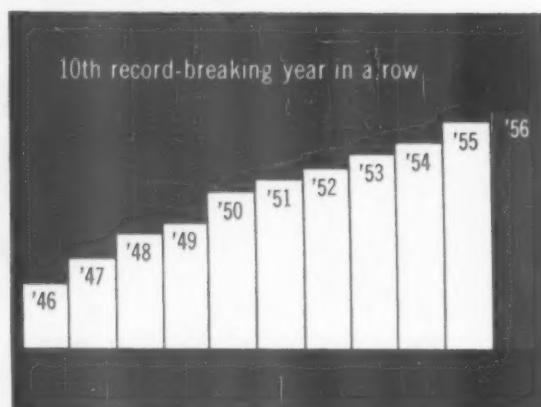
It is generally agreed that beginning last summer the wage settlements were excessive in terms of maintaining reasonably stable over-all prices. Throughout our history wages have, of course, increased much more rapidly than prices. This was possible only because of the increases in investment in plant and equipment, in horsepower of mechanical energy, and improvements in managerial know-how—in short, improvements in productivity. In spite of obstacles, these improvements are going forward. A good share of the wage increases of the past 12 months can be absorbed without price effects. But a number of increases in major industries were so large as to force increases in the cost of steel, aluminum, some building materials, and other items. This will mean some increase in the cost of automobiles and other products in the period ahead.

Does this mean that inflation is again threatening us? A reasonably firm answer is "no." Inflation grows out of loose finance, overeasy monetary policy, and deficit financing. Rising prices across the board, commonly called inflation, merely signify inflation. In-

HOUSING



CONSTRUCTION



flation is caused by the expansion of the money supply at a rate exceeding the expansion of production. Undue upward wage pressure may encourage overeasy credit expansion and thus create inflation. In this way excessive wage demands can be inflationary. In the absence of more credit, the wage pressure would cause unemployment—unthinkable in an election year.

Some prices will, of course, rise. Some will fall. The recent upward pressure on prices has been moderate and it would be surprising if the consumer price index were as much as two per cent higher a year from now.

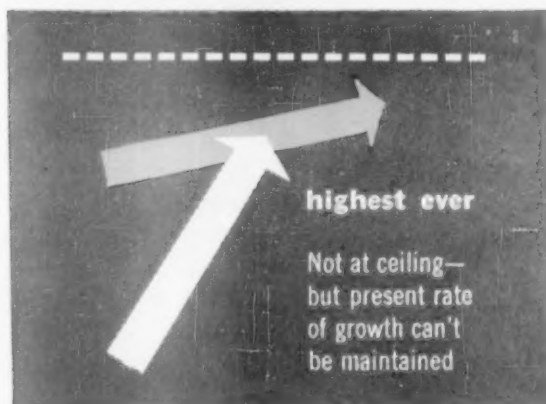
Wholesale prices, similarly, have been remarkably stable since 1951. They averaged 112 in 1952, declined to a low of 109.5 last December, and are now at 111.

The food component of both the consumer price and the wholesale price indexes is down. The averages of both of these price indexes obscure to some extent the rise in nonagricultural prices. But again it should be emphasized that inflation is not something that happens by virtue of businessmen's decisions or the decisions of labor leaders or housewives.

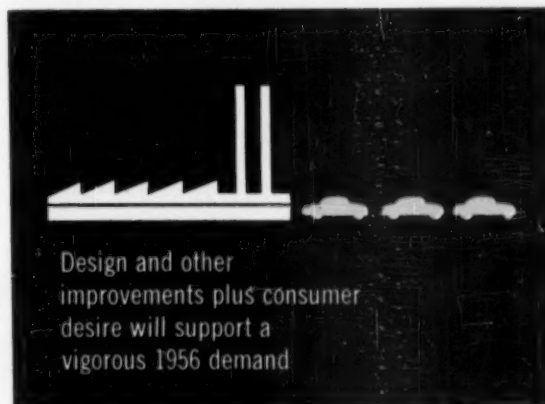
So long as the American people insist on government spending no more than it collects, and insist that we continue the sound money policy, we can be confident that inflation is behind us, as far as we can see.

Agriculture, greatly profiting from the war and postwar demand, is the one major sector of the econ-

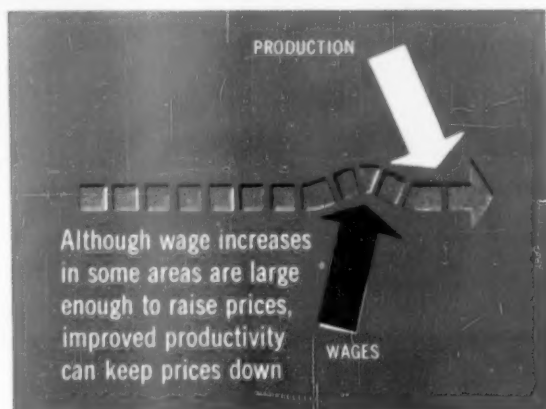
INSTALLMENT CREDIT



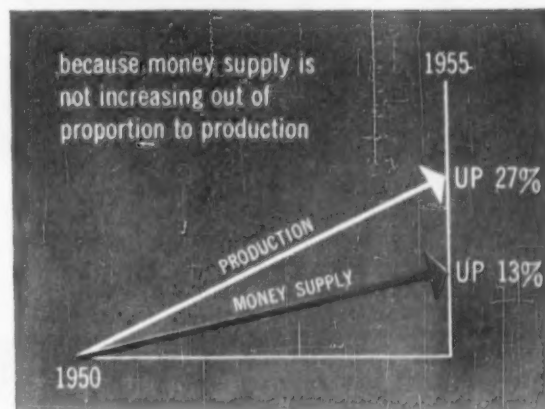
AUTOMOBILE PRODUCTION



PRICES



INFLATION? NO —



omy which has not benefited fully from this general recovery. It is not likely to achieve its war and post-war boom levels.

Prices of farm products have declined, while agricultural operating costs have either been stable or slightly rising. Net farm income in the first half of 1955 was about four per cent below a year earlier. Large surpluses of agricultural products overhang the market and tend to depress prices. Farm technology has outpaced the growth in demand for food and fiber. New and more fertilizers, better seed, better pest and plant disease control, combined with better methods and better management have kept farm prices under downward pressures. Our rigid farm price support program has encouraged foreign countries to rely to a greater degree on their own produce and has reduced our farm exports.

Still, agriculture today is a smaller fraction of our total economy and has less effect on the rest of the economy than was the case 25 years ago.

Although agricultural communities will be adversely affected by the decline of agriculture prices and income, commercial farmers are in better shape than is generally assumed. In 1940, farmers had a net income of about \$4,300,000,000 as against \$11,000,000,000 to \$12,000,000,000 in the past few years. Their assets, about \$54,000,000,000 in 1940, now exceed \$160,000,000,000. In 1940, farmers had debts of \$10,000,000,000

and liquid assets of only \$4,000,000,000. In 1955, their liquid assets stood at \$19,000,000,000, as against mortgage and current debts of \$18,000,000,000, a substantial improvement. Farmers earn from nonfarm income sources about \$6,000,000,000, or about 50 per cent as much as they earn from farming. Furthermore, the agricultural population has declined from 30,500,000 in 1940 to less than 22,000,000 now. So the shrunken farm income is distributed among a smaller number of people.

Agricultural income has declined more than the per capita income of farmers.

For all of these reasons, the decline in agricultural income seems unlikely to spread to the rest of the economy. It will, however, raise political difficulties in 1956.

Private debt, particularly consumer and house mortgage debt, has increased. Consumer debt jumped from \$7,200,000,000 in 1939 to about \$33,000,000,000 in recent months. This latter figure represents 12 per cent of disposable income as against ten per cent in 1939. Installment credit, now exceeding \$26,000,000,000, has reached a new high both in total and relative to national and disposable income. Have we reached the ceiling?

Because of the rise in incomes and the great increase in the number of (Continued on page 60)



OUTLOOK
FOR
'56



WENYAS-BLACK STAR

Businessman

HENRY FORD II

discusses:

- ▶ next year's automobile business
- ▶ how government can improve business
- ▶ how labor can help
- ▶ whether credit is too high
- ▶ the future of exports

How does business in general look to you in 1956?

We are very optimistic. I think that it is a little early to tell about the whole year. Certainly the first half ought to be pretty good, but we have an election year coming up. People get preoccupied with candidates and issues in an election year and when feelings run high business has a tendency to run low. As a result 1956 may not be quite as big as this year—but I think it ought to be a good year.

What are the good factors as of today?

Well, there is high employment; personal incomes are up; and I don't think there is much question that there will be some income tax reductions next year. That won't hurt consumer spending.

Do you think people will spend this money?

I think they generally spend a substantial amount, and I anticipate no significant change in our national spending habits next year.

How about the automobile business?

The automobile business will have a fine year, too. My personal feeling is that it won't be as big as 1955. How big the reduction is going to be is anybody's guess.

Maybe ten per cent?

If we assume a ten per cent reduction, we still will have our second biggest year. Ten per cent of, what do you want to say, 7,600,000. That would still be the second biggest year after 1955.

Do you think the election alone will slow 1956 down a bit?

No. For one thing, so far this year our inventories have been abnormally low.

I think they will be higher by the end of this year.

How about Mr. Eisenhower's illness?

There is no question that the President's illness has had a limiting effect on business that could carry over. Just look at the stock market. Maybe some of the reasons the experts spell out are valid. But, after all, the slide started the Monday after Mr. Eisenhower had his heart attack.

Is the business community moving cautiously on account of his ill-

ness, perhaps holding back or changing plans?

No, not that I know of.

What can the government do to improve business next year?

Cutting taxes is one thing, not only income taxes, but excise taxes on automobiles. I am not trying to prognosticate what the government needs; I am merely talking about our side of the fence. We feel that the excise tax on automobiles is relatively high. Cars are lumped in with jewelry and other luxuries when it comes to excise taxes. Cuts in personal income taxes and corporate income taxes would also help.

Do you think credit is too loose?

We don't feel it is too loose in the automobile business. Repossessions are lower than prewar, and delinquent payments less than two per cent. That certainly sounds like a stable picture. Other businessmen I have talked with don't seem to feel that credit has been expanded too much. They feel it has been a help to their business.

What can labor do to help make business better?

One of the things they could do is to keep the number of strikes to an absolute minimum, walking out only when they are morally certain that a strike is absolutely necessary. Besides cutting out all this wildcat strike business, they should also keep their productivity as high as possible.

What reaction from business have you had since signing the supplemental unemployment benefits contract four months ago?

I haven't seen too much. I think the very conservative people think we took a step in the wrong direction, and I don't think they have given up sniping at us. Maybe they never will.

Has it improved your labor relations?

Up to this point there's no way of telling. The first payments under the plan can't be made until next June, and so far there is no ba-

sis on which to make a judgment.

Walter Reuther says this contract is just the beginning.

From his standpoint, it probably is.

Should a line be drawn on the amount of payments and extent of payments?

A line has to be drawn on the benefits. It would be wrong for a man to get just as much money when he is not working as when he is. Obviously, he would prefer not to work.

Will there be another improvement factor raise of six cents an hour next year?

We have one every year.

Will there be a cost-of-living increase next year on top of the six per cent annual improvement factor raise?

There haven't been any signs in the wind of tremendous changes.

Do your economists anticipate higher costs next year?

We shouldn't. We absorb our improvement factor, you know. Our recent price increases do not include a figure to take care of the improvement factor coming up next June.

The increases grew entirely from increased material and parts costs?

Yes, and other things in our labor contract such as insurance benefits, pensions, some of the overtime increases, some of the skilled help increases and other things except for the improvement factor.

Do you think the four-day week that labor has started to talk about is feasible?

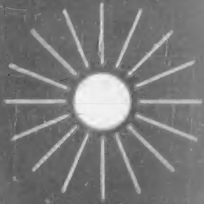
I would just as soon not inject myself into that issue now. Our friends in the unions are in a position to demand anything they want whenever they want, but management is held strictly accountable for every word it utters.

The boys running the unions can take one position today, the exact opposite tomorrow and a completely different one the next day—and their inconsistency goes unchallenged.

How about your forward plans at the Ford Motor Company?

We plan to spend about \$500,000,000 next year, and another \$500,000,000 the two following years, on capital improvements. As a matter
(Continued on page 81)

HENRY FORD II, grandson of the founder of the Ford Motor Company, became president of the firm in 1945 when he was 28 years old, two years after the death of his father, Edsel Ford.



OUTLOOK
FOR
'56



Labor leader

GEORGE MEANY

discusses:

- ▶ labor's goals in a good year
- ▶ what to expect about strikes
- ▶ where taxes should be cut
- ▶ what the union merger will mean
- ▶ labor's voice in management

Mr. Meany, how do you expect business to be next year?

All the forecasters tell us that 1956 is going to be an even better year than 1955. I hope that's so. However, there are some signs in the economic picture that are not too good, although I think our economy is basically sound.

What signs are not too good?

The farmers are having a rough time. We also notice that home-building has been dropping in the past few months. There is some question, too, whether the automobile industry can maintain the 1955 level of production and sales. But on the whole I feel the economy is sound.

What will that mean with regard to wages?

The over-all trend of wages throughout the years has been that, as productivity increases, wages go up. I would say that if the forecasters are right about '56 being a better year than '55 for business, it will be a better year from the standpoint of wages too.

Do you think there should be a tax cut next year?

The AFL has a basic policy on this whole question of taxes. We don't believe taxes should be cut if the resulting loss of revenue would restrict necessary government activities or throw the budget way out of balance. We didn't support the tax reduction measure which was introduced in the House last spring because it would cost the government several billions of dollars in revenue. We did support the attempt in the Senate to reduce income taxes and at the same time bring in additional revenue to the Treasury. We think that any tax cut should be coupled with the repeal of certain inequitable tax provisions which were included in the 1954 tax revision law.

What inequities?

Well, certain loopholes such as the special treatment for dividend income that benefit the people in the upper brackets. We think those loopholes should be closed and that if there is to be a tax reduction it should be in the lower brackets. In fact, we were in favor of a 20 per cent reduction in the first bracket last year. As an alternative we favor an increase in the personal exemptions from \$600 to \$700.

However, our over-all position on

taxes is that under no circumstances should there be any reduction in taxes that would adversely affect the national security. We think national security is our first concern.

Does that mean you are against any cut in defense spending?

At this particular time, yes; we are certainly against any cut in defense spending. We don't think that the international situation warrants it. We feel that there has been no basic change in the position of those who would destroy our way of life even though the Soviets have adopted a new technique. We don't see anything in the picture that justifies our relaxing on the whole question of defense spending and national security.

Would good business next year mean an increase or a drop in strikes generally?

It is obvious that when business is good, which means that profits are high, the businessman is less likely to desire a knock-down-drag-out fight with his employees. So I would say that when business is good the employer is much more responsive to labor's requests, and there definitely seems to be a connection between business health, let us say, and the number of strikes.

What will be labor's objective?

Labor's objective at the bargaining table is always to get, in one form or another, a better share of the wealth jointly produced by labor, the investor and management. The trend this year generally, with certain notable exceptions, has been more to increases in the hourly rate than to further increases in the so-called fringe benefits.

It is quite obvious that if business remains good next year there will be demands for higher wages and also, of course, for greater security in the form of welfare and fringe benefits.

Will the shorter workweek be an important issue?

The shorter workweek is bound to be an important issue in the years to come as automation grows in industry. We do have some indication

GEORGE MEANY, who began his union career as a plumber in New York 40 years ago, has been president of the AFL since 1952 and is slated to head the AFL-CIO when the merger takes place Dec. 5.

today that it is going to develop very rapidly in the next year or two, and the answer to that, of course, will be, to some extent at least, a shorter workday and shorter workweek.

Do you fear unemployment from increasing automation?

I don't feel now that anyone can predict safely just what automation will do to employment. On the face of it, when you replace men with machines it indicates there is going to be some unemployment. But our experience with improved methods of production has been that, in the long run, they don't reduce employment.

It is obvious that to get the full benefits of automation the employer must run his plant on the basis of long-term planning. By that I mean I don't believe it would be economically sound for the employer to go into automation on the basis of using the machinery for six months and then letting it lie idle for another six months.

Will unions try to get a bigger voice in management?

The traditional position of the American Federation of Labor has always been that we think management should manage and we should run the unions. However, there are particular cases here and there where the unions feel that they have a right to a voice in management, but as a general policy we don't favor that.

Circumstances in particular cases may call for greater cooperation between the union and employer in order to bolster up the market for a product or in order to increase efficiency so that the entire industry will benefit by greater sales. In some of those cases we find that the unions feel that they have a right to take part to some degree at least in management planning functions.


Do you see a trend toward unions buying stock in companies to influence their management?

No, I do not.

What will labor want most out of the next session of Congress?

We'd like to see the nation's school system improved and we think Congress should do something about it. We think Congress should do more in the housing situation because we feel there is too large a percentage of our people living in antiquated

(Continued on page 83)



He controls **55^c** of your tax dollar

**Here's how Representative Carl
Vinson, chairman of the House
Armed Services Committee,
matches military spending to
the country's defense needs**

NEXT year, when federal budget balancing and tax cuts become burning election issues, the question of how much money the Defense Department gets will be one of the big controlling factors.

Secretary of the Treasury George M. Humphrey announced this fall that if everybody in government would cut spending by three per cent, he could balance the budget in fiscal 1956. He said this might clear the way for a tax cut. For the military services, which spend about 55 cents of the tax dollar, this meant a reduction of more than \$1,000,000,000.

Defense officials already were sweating under pressure of a \$34,000,000,000 spending limit put on them in the President's budget. They finally concluded they not only couldn't save the extra billion but that, in the absence of some unforeseen new economies, they were going to run over the \$34,000,000,000 by about \$500,000,000.

Although it was not generally known, it should have come as no surprise at all that Defense Secretary Charles E. Wilson broke this sad budgetary news just 24 hours after spending most of a day down in Georgia with Rep. Carl Vinson, chairman of the House Armed Services Committee. It is a safe bet that Mr. Vinson not only approved the verdict but gave his assurance he would help make it stick.

Several weeks later—on the same day when Secretary Wilson was outlining in Washington the econo-



PHOTOS BY FRED MARGON

Rep. Vinson peers at Maj. Gen. Joe W. Kelly (facing page) legislative liaison for the Air Force

mies that would be necessary to save just the half billion dollars—Mr. Vinson was warning in Macon, Ga., against either a balanced budget or tax cuts attained at the expense of an adequate military force.

Directly, Mr. Vinson has nothing to do with legislation on taxes, except for his one vote in 435. Indirectly, through his firm grip on the national defense, he has been playing a key role in tax matters for years.

When they were casting around a few years ago for a new Secretary of Defense, somebody mentioned the name of Carl Vinson. This was reported to Mr. Vinson, who laid the idea to rest. "Shucks," he said, taking his customary casual aim at the brass cuspidor in his Capitol Hill office, "I'd rather run the Pentagon from up here."

Few people seriously question that this is just about what he does. As chairman of the House Armed Services Committee (and its ranking minority member when the Republicans are in charge) he not only dominates the committee and powerfully influences Congress in writing the laws that govern the military, but he also keeps the generals and admirals and their civilian superiors constantly on their toes.

"Now, Mistuh Secketerry," Mr. Vinson frequently has been known to begin, peering sharply over his spectacles, "heah's what le's do, and I'm gonna hep yuh." So pretty soon the Pentagon would announce—if Mr. Vinson didn't do it first—that it was, after all,

going to build another supercarrier, or that extra millions would be spent on new planes, or that more tanks would be bought for the Army.

A farmer, lawyer, and member of Congress for 41 years, Mr. Vinson never has much occasion to deal with people from the business world, except that small part of it embraced by his own mostly rural Sixth District of Georgia. But not many in government can claim over the years to have exercised more influence—direct and indirect—on government spending and taxes that have so much to do with the business climate.

"Uncle Carl," as everybody calls Mr. Vinson to his back and a brazen few to his face, went to Congress from his native Milledgeville, Ga., in 1914, at age 31. He started talking defense almost at once, and never has quit. In 1931 he became chairman of the old Naval Affairs Committee and, with the possible exception of the late President Franklin D. Roosevelt, is generally credited with having had more to do with this country's emergence as a major sea power than any other man.

His idea then was that you could defend the United States at sea, "without a single shell or bomb falling on its territory." Later, when all congressional military functions were merged in the present Armed Services Committee, and when the A-bomb outmoded Mr. Vinson's naval concept, he took on the headaches of the Army and Air Force, too. (Continued on page 68)

WE'RE HEADING FOR A LABOR GOVERNMENT

THE labor-management revolution which began two decades ago is heading toward a labor-controlled government and a shackling of the freedom of business to manage effectively.

Unless sufficient restraint is applied to the present trend, the next two decades could undermine if not destroy the free enterprise system which has given America the world's highest standard of living.

The revolution began in 1935 when the Wagner Act required employers to bargain with unions. Since then, union membership has increased from 3,700,000 to more than 17,000,000. U. S. unions have another million in Canada.

Union treasuries, once puny, now bulge with millions of dollars.

Big unions, exempt from antitrust restrictions, control the destinies of businesses and entire industries, and wield a strong influence over elections and legislation.

Bargaining, once confined to wages and hours, has broadened and encroached on many management functions to a degree which threat-

UNION POWER: *20 years of growth*

1935 Wagner Act protects right of workers to bargain through unions. Union membership: 3,700,000 (1,300,000 below 1920). Union treasuries: American Federation of Labor, \$622,000; International Brotherhood of Teamsters, \$2,380,000. Mass production industries unorganized. Industrial vs. craft unionism splits AFL.

1936 Labor's Non-Partisan League organized, takes active part in presidential elections.

1937 Supreme Court holds Wagner Act constitutional.

1938 Steel, automobile, rubber industries organized. Congress of Industrial Organization holds first convention. Union membership: 8,265,000.

1941 Supreme Court holds labor unions immune from antitrust law.

1942-1945 (War Period) National War Labor Board forces union members to stay in unions; employers ordered to grant paid vacations, paid holidays, severance pay, and other fringe benefits. Employers also forced to deal with foremen's unions. Union membership soars to 14,800,000. CIO sets up Political Action Com-

mittee to help re-elect President Roosevelt to fourth term and stem Democratic losses in Congress.

1945 Labor-Management Conference called by President Truman fails to find formula for industrial peace.

1946 Federal government seizes coal mines, sets up mine workers' welfare fund financed by royalty on each ton of coal. Government fact-finding boards set postwar wage increase pattern. Strikes hit record: 4,600,000 strikers lose 116,000,000 days' pay. Many states pass laws against compulsory union membership. Congress passes Case bill to restrict union abuses, but Truman vetoes it.

1947 Congress passes Taft-Hartley Act, over Truman's veto, in attempt to balance duties and responsibilities of employers and unions alike and to protect rights of individual workers. Closed shop abolished; all-union shop permitted except in states (12 at that time, 18 today) which have right-to-work laws prohibiting compulsory unionism. Foremen recognized as part of management. AFL sets up "League for Political Education."

ens the ability of management to execute its responsibilities.

The Wagner Act was controversial from the beginning. Even President Truman, who supported its passage while a senator, recognized its deficiencies a decade later when he convened a Labor-Management Conference in 1945 to find a formula for industrial peace. The conference failed.

Proponents of basic rules of conduct for labor and management left the conference empty handed. As if to flout the high purpose of the conference, the worst strike year in our history followed.

Now we have passed a second decade. What's happened, and where are we going?

Unions have completely won the right to bargain for employees where they represent a majority. The significance of this is more striking when one considers that union representatives withdrew from a conference called by President Wilson shortly after World War I because a resolution endorsing the principle of collective bargaining failed. To-

day the principle has gained virtually complete acceptance.

The scope of collective bargaining has consistently broadened. An employer is never sure today what new subject he may be required to bargain about tomorrow. Matters once accepted as purely management functions have become issues for bargaining because of consistently broad interpretations of the law and the growing power of labor. The list keeps growing: pensions, health insurance, bonuses, holiday pay, lay-offs, discharges for cause, promotions, stock purchase plans, guaranteed annual wage, rentals in company towns, prices of meals in isolated locations.

This enlargement of the bargaining area obviously reduces the authority of management. With the rise of co-determination in Europe, it gives cause for concern. Labor's aim to get an equal voice in the operation of a business seems clear. In refusing the employer delegates' request for agreement on management functions at the 1945 conference, the labor representatives said:

"The experience of many years shows that with the growth of mutual understandings the responsibilities of one of the parties today may well become the joint responsibility of both parties tomorrow."

Larger and more powerful unions have developed along with the enlarged bargaining sphere. Much of the 17,000,000 membership stems from the expansion of compulsory unionism. In the last five years the proportion of employees represented by a union who will lose their jobs if they quit the union has grown from 69 per cent to 81 per cent. Conversely, the proportion free to join or not join a union, or quit the union if they do join, has shrunk from 31 per cent to 19 per cent.

Compulsory unionism continues to grow though action is being taken by an increasing number of states to prohibit union contracts making union membership a condition of employment.

This is because the great industrial states continue to allow compulsory union membership contracts.

(Continued on page 62)

1949 Long strike forces steel industry to set up pension and health insurance plans after government rules they are proper issues for bargaining.

1952 Government seizes steel industry during strike over compulsory unionism, but Supreme Court holds seizure illegal.

1953 Some state labor laws nullified by Supreme Court view that federal laws take precedence. Collection of damages permissible in state courts, however. President Eisenhower asks Congress to clarify confusion over state and federal labor laws.

1955 Employers ordered by National Labor Relations Board to bargain with union over stock purchase plan. Supplemental unemployment pay won by unions seeking guaranteed annual wage. Pension and welfare fund reserves grow to \$26,000,000,000; abuses revealed in union welfare funds. Union membership passes 17,000,000 in U.S. AFL and CIO merging into AFL-CIO with 15,000,000 members, plan increased organizing and political activity. Union assets estimated at \$1,000,000,000, with some unions owning more than \$100,000,000. The United Auto Workers office handles more than

\$25,000,000 annually. In less than two years Teamsters increase assets from \$23,000,000 to \$32,000,000. Unions taking growing interest in common stocks as investments for union pension and welfare funds assets.

WHAT'S AHEAD? ➡

THIS? Labor-controlled government . . . union voice in corporation management . . . co-determination . . . union dictation of industry-wide contracts . . . control of markets through secondary boycotts and other tactics . . . compulsory unionism . . . no free choice of union by worker?

OR THIS? Equal rights and responsibilities on both sides of the bargaining table . . . end of unfair secondary boycotts, union monopolies, and other union abuses . . . clear division of management and union functions in collective bargaining . . . freedom of individual worker to join or not to join a union . . . well run and regulated pension and welfare funds?

10,625 bills swamp Congress

Next year's legislation may get inadequate consideration unless both houses simplify their work load



HARASSED Senator Dirksen says it has gotten to the point where a senator needs a pair of roller skates to take care of even a minimum of his work

MORE than 7,800 bills were introduced in the lower House of Congress this year; 2,756 in the Senate.

A representative who read 21 bills a day would still be behind in his work. So would a senator who read seven. Neither would have much time left for committee work—one senator may have as many as five committee meetings in a single day; have to deal with job hunters, run errands for constituents or inform himself on the increasing number of national issues on which Congress has to act.

This is the sort of work load that the Congressional Reorganization Act of 1946 was supposed to lessen. But times have changed since that law was passed. At that time something more than 5,000 bills were introduced in the House, less than 2,000 in the Senate. Bills that actually became law numbered 293 then—390 this year.

Nine years ago, too, the 96 senators held 568 seats on special and regular committees, an average of six each. The 1946 Reorganization Act reduced the number of committees but the new committees had to subdivide to cover the same ground, and the fractioning process is still continuing. Senate committees and subcom-

mittees now have 823 seats, an average of more than eight assignments for each senator.

Since Congress traditionally operates mainly through its committee structure, such a load becomes important, especially since, as the economy becomes more complex, legislation becomes more complex, too.

Several members are devoting time between sessions to a search for ways to simplify the legislative process to keep up with this complexity. A new plan to reorganize Congress may be ready by Jan. 1.

One approach to this growing dilemma would be the creation of a special congressional investigating committee which would recommend changes. But the 1946 Act was designed to reduce such activities.

"Maybe," one Capitol Hill veteran observed, "we cut off our nose to spite our face."

Senators Mike Monroney (D-Okla.) and Everett Dirksen (R-Ill.) who helped frame the 1946 measure are among those working on plans for improved efficiency.

"When we passed that law, we tried to cut down



COMMITTEE assignments were cut down by the 1946 Reorganization Act, but they're back up now, more numerous than ever. Senators average eight assignments each, spend a large part of their legislative days in meetings and hearings on bills

committees and committee work, but it now seems that we didn't cut down the total work load; and that is the important thing," Senator Monroney observed as he worked at his desk trying to catch up.

"It's gotten to the point where a senator needs a pair of roller skates to take care of even a minimum of his work," said Senator Dirksen.

Both were members of the House nine years ago, and served on a 12-man Joint Senate-House Committee (Senator Monroney was vice chairman), which recommended that Congress do away with the "crazy-quilt pattern" of "jerry-built" committees, replace it with a simplified system of regular, permanent committees corresponding to major areas of public policy.

It recommended that the 33 Senate committees be reduced to 15 and that the 48 House committees be cut to 19; and that individual assignments of members to committees be thereby reduced. Congress went along eagerly and hopefully.

"That seemed like an awfully good idea at the time," Senator Dirksen says, "but it just hasn't worked out as we hoped. One reason is that Congress has become sort of an industry. We senators have to deputize others to

carry on much of our work; but we can't deputize them actually to sit on committees or cast our votes.

"Maybe it isn't just a question of government and Congress getting into more things; perhaps it is a question of the government getting deeper into the things into which it already has dipped its hand. For instance, take the TV industry. Ten years ago TV was not as important as it is now. We now have requests for more and more stations of one kind or another. Then to top it all off, Congress is being called upon to consider pay-as-you-go TV."

Some of those problems are not directly before Congress in the form of legislation, but they come within the purview of Capitol Hill because of a little-debated section of the 1946 Act, entitled, "Legislative Oversight by Standing Committees." This section says that each congressional committee "shall exercise continuous watchfulness of the execution" of laws by administrative agencies.

Other veterans in Congress point to still another—and to them more important—section of the Act which

A day on Capitol Hill



ACTIVITY begins in the morning when the senator or representative touches base at his office, confers with helpers, lines up his schedule

BUSY PHONES and mailbag consume time, yet committee work demands cut his office hours short

ROBERT PHILLIPS—BLACK STAR



ANOTHER committee assignment (Sen. Dirksen has 14) or even two, or perhaps three more will compete with chamber sessions for time



TOURING voters from the legislator's home territory expect to get and usually receive personal attention. It eats up time but has to be handled

probably has given rise to a greater work load. That provision established professional staffs for congressional committees. These new people were needed for research and technical advice but they have spread their wings.

"One reason we are so badly jammed may be that those people are dredging up more and more work for us to do," one senator said privately. Another, Senator Ellender (D-La.), believes that "professional investigators are selling some senators a bill of goods that is wasting too much of the taxpayers' money."

"The job hunters are like mice around a corncrib," he said. "If you cut off one investigation to save a few thousand dollars, they scurry around and set up a new one."

The cost of running Congress has been rising steadily. Ten years ago, appropriations for the legislative

establishment totalled \$50,944,481; this year they were \$92,808,972. The Legislative Reference Service of the Library of Congress, much used by both senators and representatives, rose from a cost of \$425,000 to \$984,877.

Other comparisons:

	1945	1955
Committee employees (Senate)	\$ 607,600	\$ 1,767,045
Committee employees (House)	421,540	1,950,510
Administrative and clerical assistants to senators	1,877,040	6,247,555
House members, clerk hire	4,161,000	11,500,000
Stationery and air mail	183,949	832,060
Special and select committees	400,000	1,750,000

Senator Dirksen, for one, can beat the old average of six committee assignments.



SUBWAY from Senate office to the Capitol saves steps for senators. Representatives have none



AT NOON both Senate and House convene, pulling the congressmen from offices, hearings



HURRIED lunch Sen. Dirksen eats in office during lull in debate is more or less common practice



INTERVIEWS with reporters must be allowed for. They're in the anteroom off chamber floor



SPECIAL broadcasts for TV and radio are squeezed in. Our man is tired but going strong



DAY IS DONE but work isn't. Into briefcase go letters, reports, bills for night reading at home

"Let's see, I have 12 or 13—wait a minute, I'll have to count them up—committee and subcommittee assignments.

"I am on the Judiciary and Appropriations Committees, including, for example, five subcommittees on Appropriations—Agriculture, Treasury-Post Office, State-Justice, District of Columbia and Supplemental, plus, unofficially, Foreign Aid.

"That's enough to drive you crazy."

Senator Dirksen and Senator Robertson (D-Va.) were virtually the only committee members who were present during long hearings held on a \$12,000,000 appropriation for the Treasury and Post Office Departments.

"So we had to carry the bill to the Senate floor. When we went to conference with the House, the House Conference Committee of nine paraded into the room

to meet with just two senators. That is not a very good way to enact legislation.

"Or, take the Judiciary Committee.

"In the closing days of the session, Chairman Kilgore (D-W. Va.) called a meeting of the committee in an anteroom off the Senate floor while Senate debate was in progress. Eight out of the 15 members could attend. We met for ten minutes. In that time, we approved four judges, a member of the Customs Court, and 15 bills. Then the bells rang, summoning us back to the floor. Senator Kilgore tried to get us together after the roll call. Only six of us reassembled. The chairman was forced to announce that the committee meeting would have to be postponed for lack of a quorum."

When a congressional committee approves a bill, it writes a report for

(Continued on page 91)

industry goal: **SIMPLE EMPLOYEE LOYALTY CHECK**

Bewildering standards for determining security risks hamper business and government. Here are guide lines which may produce solution in 1956

A NEW bipartisan government commission, a Defense Department advisory committee drawn from industry, and a group of industrial security agents will try in the coming year to answer a problem that pounds continually at the door of American business: how to screen employees for loyalty and security.

In little more than a decade, the security system has expanded through industry and government until loyalty records now cover at least 10,000,000 persons (some estimates say 50,000,000), or one out of every ten adult Americans. Those covered are in all levels of industry, research, government, schools, armed services, even show business.

One master file alone—the Defense Department's Central Index File—has dossiers on at least 3,000,000 workers, engineers, scientists and managers employed in 20,000 plants with defense contracts. At an average cost of \$250 an investigation, and five months to a year of time, all persons involved in producing secret machines and weapons are checked for their political beliefs, youthful high jinks, sobriety and the interest of their mothers-in-law in causes.

This pattern has spread to fields not directly asso-

ciated with defense. The newly formed American Society for Industrial Security, composed of security supervisors for private business, has members from such industries as brewing, distilling, railroads, pharmaceuticals and auto manufacturing, as well as aircraft, communications and atomic energy.

A former Solicitor-General of the U. S., Philip Perlman, observed, "What has been and is being done, good or bad, in the federal government in the name of national security is being imitated and even enlarged in many areas where any connection with national security, as that word has come to be understood, is so remote as to be practically nonexistent."

The investigations are made by a varied host of operatives, ranging from the FBI to credit agencies.

The security system was born quietly in 1939 when Congress rushed through a law forbidding federal employees from belonging to groups advocating overthrow of government, and ordering the FBI to search out subversives. Companies with military contracts organized their own security programs with help from the FBI and military intelligence. Douglas Aircraft, one of the pioneers, had its program operating in 1939.

The Attorney General set up a then secret list of groups which might give some clue to fascist, Nazi or communist leanings. They were the so-called front organizations. A sign of the times was a report to the Attorney General in 1943, in which an Interdepartmental Committee on Investigations said 4,000 loyalty complaints had been checked by the FBI. A total of 1,300 were closed without detailed investigations, because preliminary checks showed the complaints were baseless. Of the remainder, the committee said, "In all but a small residuum, the lead provided by the active indices of front organizations has proved to be utterly worthless. . . ."

In 1947, the year Elizabeth Bentley described her experiences with a communist spy ring within the government, President Truman set up a full scale security program to cover defense workers and employees in the executive branch of the federal government.

The Pentagon outlined six loyalty standards for defense production personnel:

1. Sabotage, espionage, or attempts at either, or knowingly associating with spies or saboteurs.
2. Treason or sedition or advocacy of either.



*One in ten adult Americans is
now covered by loyalty records*

3. Advocacy of force or violence to alter the constitutional form of government.
4. Intentional and unauthorized disclosure of non-public information "under circumstances that may indicate disloyalty to the United States."
5. Membership or sympathetic association with any organization or combination on the Attorney General's list, which by this time was public. The Defense Department stated that security clearance could be granted, despite membership in a front, "if it is demonstrated, by more than a mere denial, that the security



Limiting security to really secret matters and scrapping old concepts are favored by the FBI

interests of the United States will not thereby be jeopardized."

6. One who "is mentally or emotionally unstable, is an habitual offender of the law, or does not possess the integrity, discretion, and responsibility essential to the security of classified military information."

Today's industrial security program is more complex. It is based on President Eisenhower's executive order of April, 1953. Now the manual of the Industrial Personnel and Facility Clearance Program lists 22 activities and associations which might bar one from clearance. Three categories of information—top secret, secret and confidential—are created. Employees are subject to three different type tests, depending on which type information they have access to.

For top secret clearance, military intelligence makes an exhaustive check on the individual's life from Jan. 1, 1937, or his eighteenth birthday, whichever is the shorter period.

For secret, military intelligence checks master files of the FBI, Army G-2, Naval Intelligence, the Inspector-General of the Air Force, Civil Service Commission, Bureau of Immigration and Naturalization, House Committee on Un-American Activities, or other appropriate records.

For confidential, the contractor makes his own investigation. Large corporations such as General Electric, with former FBI agent Russell E. White as security chief, have their own trained security staffs. Many small companies rely on private detective and credit checking agencies. Some 2,500,000 defense production employees are in the confidential category.

When an investigation is completed and no derogatory information is developed, the Defense Department issues a clearance.

When a derogatory charge is made, in an investigation for confidential status, the contractor turns his

information over to the military, which then continues the investigation.

Once the investigation is completed, the case is reviewed by the service involved. Then the file is turned over to a central screening board in Washington with a recommendation. The board of three members selected by the secretaries of Army, Navy and Air Force reviews the entire file with the help of its legal and security advisers.

In the five years this program has been operating, less than 5,000 cases—out of more than 3,000,000 investigated—have been brought to this top level. Robert Applegate, director of the Defense Department's Industrial Security program, points out that a small fraction of one per cent of all those investigated have been classed as security risks. He says, "The Department leans over backward to make sure every case gets fair treatment, and no one loses security clearance on the basis of unverified rumor or malicious gossip."

An employee denied security clearance may appeal to a hearing board, appointed in the same manner as the screening panel. The boards operate from regional headquarters in New York, Chicago and San Francisco. The hearing board may reverse the screening board by a two to one decision. (Clearance by the screening panel requires a unanimous vote.) A final step in the Defense Department is a central review board in Washington to consider unusual questions or divided decisions to open up cases on the basis of new information. Some 33 cases have been reheard.

The entire process from investigation through appeal should not take more than a year, according to Mr. Applegate. If it does, the investigation and screening has uncovered unusual derogatory information or problems.

The scope of these security operations is indicated by budgets. The Defense Department in 1954 spent \$28,758,360 in its loyalty program which, of course, goes far beyond industrial personnel. The Atomic Energy Commission paid out \$12,592,803 in the same period.

Today, the loyalty program has reached the inevitable state of critical examination. It is a familiar subject these days for debates in town halls and corner bars.

A first step for a constructive, critical approach was taken last December when the U. S. Chamber of Commerce arranged for a special industry conference on the subject sponsored by the Departments of Commerce and Justice. Here, business and government had a chance to thrash out (continued on page 55)



At \$250 each, investigations take from five months to a year to complete. Some may cost more

here's the **FARM PROBLEM**

You'll hear a lot more talk about the farm situation as the election draws near. This Nation's Business report will help you judge the issue

Political scouts of both parties are beating the bushes, pinching the soil, sniffing the weather and anxiously inquiring after the welfare of the farmer.

The farmer has some real problems that need solution, but the attention being paid to the farmer, and the assertions about the magnitude of these agricultural problems need to be examined against a background of facts.

A major fact is that 1956 is an election year and it promises to be a hectic one.

The Democrats are hoping that a decline in farm prices over the past five years will cause rural areas to turn away from the Republicans—as they did during the 1930's and, to a significant extent, in 1948.

The candid opinion of Republican strategists is that the G.O.P. needs a favorable and sizable rural vote in order to win next year.

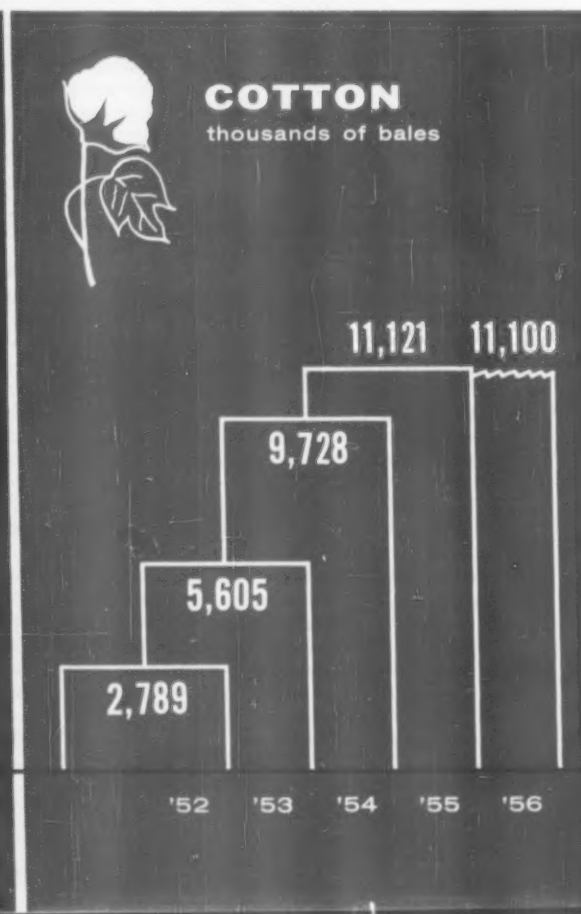
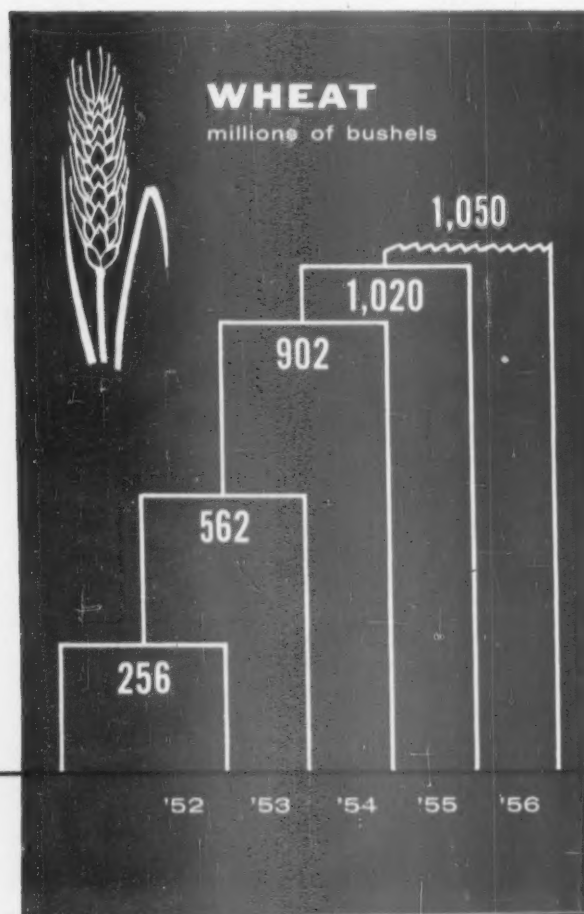
And, from the Administration point of view, there is danger that farm bloc congressmen may return from the grass roots next month to scuttle the flexible farm price support program before it has had a chance to show what it can do.

Such a development would surely compound the problems of Agriculture Secretary Ezra Taft Benson and most likely would incur a presidential veto.

A return to rigid high price support at 90 per cent of parity would probably confront Secretary Benson with more farm production, greater surpluses, and higher farm subsidies—with an inevitable impact on the budget-balancing hopes of Treasury Secretary George M. Humphrey.

Thus the farm issue has taken on a new sense of urgency "since Denver," as some Republicans refer to the President's heart attack. Before, they were count-

LID ON PRICES: *Carryover of major farm commodities*



ing on President Eisenhower to pull them through, even in states where the farm unrest is most apparent.

In 1952, when General Eisenhower was elected, the farm problem was overshadowed by such issues as communism, corruption, and Korea. The over-all theme of the G.O.P. campaign: "It's time for a change."

Now many Republicans—and a lot of Democrats, too—believe the 1956 campaign may be waged under conditions more nearly akin to the political climate of 1948.

In that year, a defection of the usually Republican farm vote in the Middle West helped dash the presidential hopes of New York's former Governor Thomas E. Dewey.

Probably the most decisive factor in the whole election was an outpouring of city votes in the industrial areas.

But there was unquestionably a swing away from the G.O.P. in the rural areas. Fewer farmers voted, and fewer of them voted Republican. This tended to give more importance to the Democratic vote in the big cities.

Mr. Truman carried Ohio, Illinois, Iowa, Wisconsin, Minnesota and Missouri. He ran two to six percentage points higher than FDR did in these same states in 1944.

A groundswell of farm discord swept through the Middle West in 1948 and a sharp break in prices occurred only a month before the 1948 election. There was a falling market for corn, wheat, soybeans. Lack of storage space caused bumper crops to be bundled off for sale at distress prices. The 1948 corn crop reached 3,600,000,000 bushels, an all-time peak.

Democrats blamed the falling farm price situation on the G.O.P.-controlled Eightieth Congress, which Mr. Truman attacked everywhere along his whistle-stop campaign as the "second worst in history."

In its closing hours, Congress had enacted the Hope-Aiken farm bill which would have provided for flexible price supports at 75 to 90 per cent of parity on basic crops and dairy products, starting in 1950.

The platforms of both major parties in 1948 endorsed flexible price supports. So did the Truman Administration while Clinton P. Anderson (now U. S. senator from New Mexico) was Secretary of Agriculture.

The Act was not then in effect, and would not have gone into effect until more than a year after the 1948 campaign. Nevertheless, it was attacked as a cause of the farm price decline.

Republicans, by their own admission, failed to evaluate properly the farm vote in 1948. "We won't make that mistake again," observed an official of the G.O.P. National Committee.

In 1948, Republicans controlled Congress, with a Democratic Administration.

Now, Democrats rule Congress, with a Republican Administration.

This reversal will necessarily lead to a good bit of political backing and filling, to statements and counterstatements embellished in florid campaign oratory which may, sometimes purposely, subordinate the situation to the effect.

Those who hope to make head or tail of such discussions will need to know who the farmers are; what precisely are their troubles; what causes these troubles and what actually has been and can be done about them? Some answers to these questions follow:

The farmers

The rural farm population today includes approximately 22,000,000 persons. They live and work on 5,300,000 farms.

Two million of these farms market 88 per cent of the nation's total food and fiber supply.

The other 3,300,000 farm families produce only 12 per cent.

Many of these units are so small and produce so little that their incomes from farming are always low, good times or bad.

President Eisenhower called for a special study of this situation in 1954. It was carried out by the Agriculture Department in cooperation with the Defense, Commerce, Labor, and Health, Education and Welfare Departments, plus the Veterans Administration. A report on "Problems of Low Income Families" was issued last April. It shows:

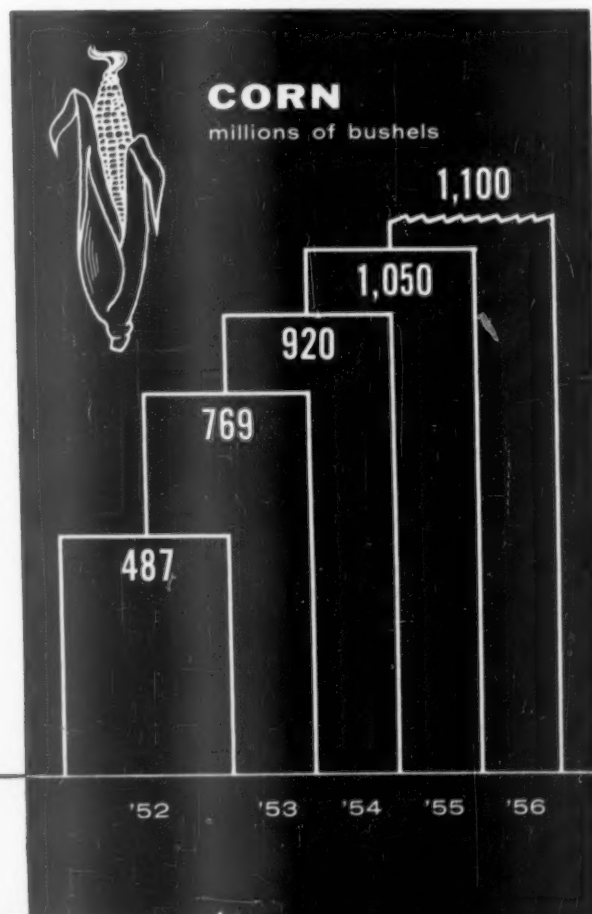
Families with low earnings make up more than one fourth of all farm families in the U. S. In 1950, there were 5,400,000 farm families in the nation. Approximately 1,500,000 of these had cash incomes for the entire family under \$1,000 a year. About 3,300,000 of them were on small farms where the gross sales of all products ran less than \$2,500 a year.

All the 3,000 counties in U. S. have farming to some degree, although in many urban areas it is negligible. In approximately 1,000 counties, more than half the farmers depend mainly on the income of small, poorly paying farms.

Serious areas of low farm income exist in the old South and border states, in the Appalachian and Ozark mountain regions, and plateaus.

Eleven million persons of the rural farm population live in these problem

(continued on page 74)



HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

A different approach to the farm surplus problem is being discussed. Called the "soil fertility bank approach," or a "land-lease" program, the general idea would be for the government to lease a proportion of farmers' land, to retire it from producing for market, and thus conserve its fertility for the future. Farmers would be paid for leasing this land to the government.

This system would differ principally from the current acreage allotment program in that it would aim at reducing total productive acreage, rather than protecting a few commodities from overproduction.

Some observers have doubts about this approach, however. In view of its probable costs they doubt that participation will be extensive enough to get results. A further doubt is whether such a program will really reduce production for long enough to maintain a balance between output and markets.

Assuming the rental terms resulted in adequate participation, proponents of this proposal believe it could produce other advantages: expedite the adjustment of total agricultural production to current demand; help to raise the income level for all of agriculture; conserve soil fertility; reduce overproduction and waste; reduce dependence on price supports; increase flexibility in production patterns; and lower the cost of farm programs.

CONSTRUCTION

Next year promises to be another record-breaker. Public and private nonresidential building will begin the year under a full head of steam and move to new highs in practically every category.

Private residential building, coming out of a period of financial re-

orientation, is due for a slow start compared with 1955. But as 1955 began with a higher annual rate than was sustained, so 1956 is likely to begin with a lower rate of activity than will later eventuate. Final totals probably won't be as much as 100,000 dwelling units different.

Money is likely to remain relatively tight, at least through the first part of the year, because demand will be high and a price will have to be paid to induce the requisite inflow of savings. Nevertheless, construction need not fear being on starvation rations. Its voracious appetite for credit may not be sated, but it should have enough for proper nourishment.

CREDIT & FINANCE

Federal officials, fiscal and otherwise, are watching closely the results of recent curbs placed on the terms of housing credit.

While a majority of mortgage bankers are definite in feeling that the new restrictions will slow housing starts in the coming year, the Veterans Administration announces that veterans will be buying some 400,000 new homes and 250,000 existing homes in 1956, and will apply for some \$7,000,000,000 of mortgage money with which to do their buying.

Since the GI home buying privilege expires in July, 1957, there is reason to expect strong pressures on the housing market as the final date approaches. Because of the drain on available funds it is probable that interest rates on other housing credits will gradually yield to upward pressures.

DISTRIBUTION

Businesses engaged in distribution look forward to a good year in 1956, particularly in the first quarter. A

Dun & Bradstreet survey of retailers, wholesalers and large and medium-sized manufacturers shows that two-thirds expect higher sales in first quarter of 1956 than in first quarter of 1955; 30 per cent predict no change. Only three per cent expect lower sales.

Business in the last three quarters of 1956 should continue as good as this year, possibly better. Factors to watch are sales of automobiles which this year are accounting for about 22 per cent of total retail sales, the impact of present credit restraints and the impact of lower taxes if voted by mid-1956. Credit restrictions may be eased if their effect seems to be hurting the economy. Lowering of taxes means more income available for spending.

Some doubt that auto sales can equal the unprecedented levels reached this year. Auto industry is optimistic and expects sales to equal, if not exceed, 1955. Highest prediction last year for auto sales in 1955 was about 2,000,000 units under estimated 1955 production. Even if auto sales don't equal 1955, it will still be a good year—the second best at least. If consumer spending for automobiles drops, it could shift to other durable goods. With continued increases in income, consumers haven't lost their spending mood.

FOREIGN TRADE

At the annual meeting of the International Bank for Reconstruction and the International Monetary Fund in Istanbul in September an old perennial bloomed with accustomed vigor: a demand for a universal increase in the price of gold.

South Africa, as one of the world's biggest producers, has long been in the forefront of those wanting to increase the price of the yellow metal. One of the prime arguments advanced this year was that such an increase would raise the value of the world's currency reserves to a level more in keeping with the actual value of today's higher level of world trade.

Opposition to higher gold prices, as in the past, came from the United States, among other countries. With many economies again undergoing inflationary tendencies there is little doubt that an increase of the price of gold, or, in other words, a devalu-

outlook

ation of the dollar—thus of all or most other currencies—would further feed these tendencies.

GOVERNMENT SPENDING

Can federal spending be cut in 1957? Yes. But will it?

The economy bloc hopes for further paring through continued pressure by the Treasury Department and the Budget Bureau to shave operating costs.

Yet various large items like defense, for example, appear to be close to the minimum unless the international picture improves. Indeed, some observers look for an increase in such items as foreign aid, as one way of calming down war fears in the Near East.

Budget planners are going into the home stretch in shaping up figures for 1957, and decisions now being made will play a large part in determining final budget totals.

Recognizing the heavy reliance placed on Hoover Commission recommendations by the economy bloc, advocates of spending are working subtly to discredit the recommendations. Some of these recommendations would make possible annual savings running into billions. But sabotage by the spenders is likely to prevent their adoption unless economy advocates get busy.

LABOR

The formal meeting which merges the AFL and CIO takes place this month. Despite considerable jockeying behind the scenes over jobs in the new organization, and despite the fact that everyone is not happy, good will and harmony will likely prevail, at least on the surface.

Constant reminders by labor union officers that political activity is a major objective of the new alliance, however, is beginning to make its impression. Many observers who never could be classed as anti-union are looking askance at this package of potential power. Legislators at both national and state levels, too, are taking a new look to determine whether this power will be used in the public interest. Areas which will be watched closely include antitrust legislation for unions, political contributions, secondary boycotts, and compulsory unionism.

Some experts see unrestricted action in these fields as a means by which labor union officials can go far toward dominating our economy.

NATURAL RESOURCES

The outlook for timber sufficiency is brighter than at any time in the past ten years.

The United States need face no wood shortage as far ahead as the year 2000 if good management is applied to commercial forest areas, according to a report by the U. S. Forest Service.

The report—the *Timber Resource Review*—is the first complete review of the timber resources since 1945. It shows that this country is now growing one-third more wood annually than it uses, and that sawtimber is growing just about as fast as it is being cut. Commercial forest land has increased 23,000,000 acres since the last survey.

This does not include 44,000,000 acres in Alaska.

For the year 2000, the report predicts a demand for industrial wood from 67 to 105 per cent greater than in 1952. Small woodlot owners and nonindustrial forest owners hold the key to whether a sufficient rise in timber growth is possible because these lands comprise 60 per cent of the commercial forest area. Utilizing more of the timber being cut, and reducing loss of wood by insects, diseases, fires and other destructive agencies offer challenges for future conservation of timber.

TAXATION

The study of the 1954 Revenue Code now being conducted by the Joint Committee on Internal Revenue and Treasury staffs is demonstrating again that no tax reform can be considered either perfect or

final. Interested organizations, firms, and individuals are filing hundreds of suggestions for additional and perfecting changes.

It is evident the Treasury has a few ideas of its own. Among them are the tax treatment of income from foreign sources, the taxation of tax exempt organizations—including co-operatives, reserves for estimated expenses—with special attention to minimizing revenue costs, and combined employer reporting of income and social security taxes.

The growing practice of assignment of incomes from oil properties for periods sufficient to repay debts—without imposition of income tax—is troubling the Treasury and a change will likely be proposed.

TRANSPORTATION

This year's freight car shortage has sparked certain corrective measures by the railroads which could put them in a much stronger competitive position with truck and barge lines. The immediate effect will be an increased number of new, specially designed cars permitting improved handling and distribution methods.

The longer range result may be the recapture of some of the traffic previously lost to the competing forms of transport.

New construction, predicted to put 375,000 cars in service in the next five years, will include many specialized and high-grade units. The fleet will be more productive, too, under a program of greater car utilization and expedited movement within yards and at loading and unloading points.

The enlarged fleet will materially curb the recurring shortages and also meet two of their competition's big selling points, specialized and available equipment.



DONALD SIMS

New controls coming for **welfare funds**

Fraud and mismanagement of employer-union administered welfare funds will bring legislation next year that will affect most businesses. This special report tells you what to expect

BUSINESSMEN next year may be held strictly accountable by Congress for their part in the administration of union welfare funds.

A congressional committee which revealed glaring cases of fraud and outright thievery by a few union officials also has brought out that some businessmen, as co-trustees of the funds under the Taft-Hartley Act, have either been dragging their heels, or flatly ignoring their responsibilities for honest and efficient fund operation.

The result threatens the security of millions of working men and women and the solvency of the funds.

Congress is determined to clean up the welfare fund house. Proposed legislation takes two general approaches.

One, supported by conservatives, would put welfare funds under strict regulation similar to that imposed on insurance funds. This would hold businessmen trustees to the same strict regulation by which insurance firm representatives operate.

The other, advocated by pro-union members, would be confined largely to reports to the government on the operation of the funds.

Most of the proposed legislation

has direct impact upon the business community. Besides requiring fund trustees to account for their administration, other suggestions include:

- ▶ Full public disclosure of fund operations.
- ▶ Minimum requirements as to funds operations and investment policies.
- ▶ Strict regulation of funds, as bank and insurance funds are regulated.
- ▶ Regulation only of funds not administered by banks and insurance firms.
- ▶ Use of impartial fund trustees appointed by the courts.
- ▶ State supervision of funds.

Here's the prospect businessmen face in two bills which appear to have the inside track for 1956:

In the House, Rep. Ralph W. Gwinn, New York Republican, would put welfare funds under regulation similar to that imposed on insurance funds. His bill would regulate the investment and administration of trust funds, with neutral trustees appointed by the U. S. District Courts. Nonunion employees would not be discriminated against and states would have the right to make their own laws.

In the Senate, Sen. Hubert M. Humphrey, Minnesota Democrat, would treat the problem largely through public disclosure of all financial transactions involving the funds. Businessmen would be held responsible for their participation in these public reports.

His bill would require annual reports to the Secretary of Labor, covering assets and liabilities, payments into the fund and their sources, benefits paid and other disbursements including salaries, fees,

Welfare & pension funds include:

- *Group life insurance*
- *Accident and sickness insurance*
- *Hospital, surgical and medical benefits*
- *Supplemental unemployment benefits*
- *Straight pension and profit-sharing plans*

\$

26,000,000,000

fund total

mushrooming annually by

\$ 7,000,000,000

commissions and gifts, and any investments. The last would be permitted only in securities and other investments approved by the states for insurance funds. Incidentally, the Labor Department itself is conducting a thorough survey of the entire field and is expected to come up with additional recommendations for Congress' consideration next year.

Some employer groups want to see welfare funds closely regulated, while others feel it would be sufficient simply to require public disclosure of fund operations. Still others fear regulation will open the door to union participation in the operation of funds now run by employers with no breath of suspicion.

No matter how they feel, most employers in the United States are directly or indirectly involved in the problem.

Not only Congress, but state authorities, banks, insurance companies, employers and unions want to hammer out some formula for control that will, once and for all, wipe out any possibility of malpractice in the administration of these funds.

There's good reason for their concern:

How these funds are handled and invested vitally affects the security of millions of workers and their families. The investment of billions of dollars each year has important economic consequences in terms of prices, wages, productivity, costs and investment policies. The spectacular growth of welfare and pension plans, both in number and in assets, has, in many instances, found both labor and management unprepared to deal with complex financial, insurance, legal and administrative problems. Finally, sound labor relations can be expected to deteriorate unless the welfare and pension programs are honestly, efficiently and economically administered.

That many have not been so administered is evident from two Senate subcommittee reports.

The Ives Subcommittee on Pension and Welfare Funds last year found that just seven out of 26 plans examined could be called "well managed." Six were "grossly mismanaged" and the remainder "marked by questionable practices," according to the subcommittee chairman, Sen. Irving Ives, New York Republican.

Sen. Paul H. Douglas, Illinois Democrat, who took over as chairman this year and continued the hearings, reported:

"There is an imperative need for federal legislation which would help to safeguard the interests of the intended beneficiaries and prevent



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to the **executive offices**

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WELFARE FUNDS

continued

breaches of trust and exploitation by unscrupulous individuals."

Both Senators Ives and Douglas fix a large part of the blame for abuses directly on the shoulders of business representatives on welfare fund boards.

Senator Douglas expects to resume hearings this month or next to gather additional data. Welfare funds include, broadly, group life insurance, accident and sickness insurance and hospital, surgical and medical benefits. To these must be added supplemental unemployment benefits which constitute a growing portion of welfare funds in the auto industry. Pension funds include straight pension plans, deferred profit-sharing and subsidized savings programs.

More than \$1,000,000,000 a year is now being contributed to insurance companies for group life insurance which provides more than \$82,000,000,000 of death benefit coverage for about 30,000,000 participants.

About \$1,000,000,000 a year is poured into accident and sickness insurance funds covering more than 40,000,000 employees.

Some \$2,500,000,000 will be paid out this year by employers and employees for hospital, surgical and medical benefits. About half this coverage is provided through insurance firms, the rest through hospital associations like Blue Cross, surgical societies like Blue Shield and other groups.

Upwards of 20,000 pension and profit sharing plans, all established by private industry with the approval of the Internal Revenue Service, now include more than 13,000,000 employees. Contributions to these funds, largely by employers, total \$2,500,000,000 annually. This figure does not include the payment by thousands of companies of non-funded pensions on a pay-as-you-go basis. Insurance firms and banks hold more than \$20,000,000,000 of reserves under these plans.

New money from pension funds is flowing into investment channels at a \$2,500,000,000 annual rate. In some instances pension or profit-sharing funds actually have purchased control of the companies in which such funds were established. However, by far the largest portion of pension funds is held by insurance companies and banks as corporate trustees. Insurance firms are continuing their policy of investing primarily in fixed return obligations, while some banks invest 25 to 35 per

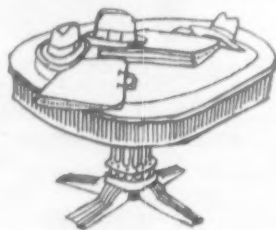
cent or more of annual contributions to pension plans in equity securities.

The SEC reports that total assets of corporate pension funds now are more than \$21,000,000,000. Last year these funded pensions bought \$540,000,000 in common stocks, net. The funded pensions plus reserves for nonfunded pensions total more than \$41,000,000,000.

This year bills were introduced in three state legislatures to stamp out welfare fund abuses. Only in the state of Washington, however, was a statute passed and the Washington Insurance Department is just beginning to administer the nation's first welfare fund law. In California, a similar measure was defeated largely through powerful union lobbies. In New York State, Gov. Averell Harriman vetoed a welfare fund control bill with the comment that "it did not go far enough to insure protection."

By January, 1956, the New York State Banking Commission is expected to come out with a detailed report on the state's welfare funds. This report, it is thought, might be the basis for another try at legislation next year.

Under Washington's new law, the



state insurance commissioner can examine any welfare fund whenever he wishes. But each fund must be examined at least once every five years.

Fund trustees, except banks, must maintain full records and file papers establishing the fund with the State Insurance Department.

As a bar to fee splitting, where some of the insurance fees may come to the fund trustees, the law requires each insurance carrier to file a statement of all commissions and fees, plus a list of all persons to whom payments have been made.

Pennsylvania and Minnesota are other states examining information on employee benefit plans with a view to legislation in the near future.

President Eisenhower took note of the deficiency in federal laws on this score when he asked Congress to study welfare and pension funds covered by union contracts and to enact legislation "to protect and conserve funds for the millions of working men and women who are the beneficiaries."

AFL and CIO officials have pledged cooperation with any honest investigation of welfare funds and support of any legislation that might be necessary to protect them. They say they will oppose, however, any legislation which might serve to discourage the growth of welfare funds under collective bargaining.

Senate and House subcommittee investigations over the past two years indicate that shady practices and looting have come largely in group health and life insurance funds handled by a union or administered jointly by a union and employer trustee. Where there are union contracts, employers alone foot the bill for 75 per cent of the employees covered by pensions and about 60 per cent of the employees covered by welfare benefits, a Bureau of Labor Statistics survey shows.

The CIO reports that practically all of its members—5,200,000—are covered by negotiated welfare benefits, and that the great majority are insured plans with the employer selecting the carrier.

While the Taft-Hartley labor law requires that the employer be represented equally with the union in the administration of such funds and that the funds be used for specific purposes, with an annual audit, employers in many cases have shunned this responsibility completely or have given it only perfunctory attention through a trustee, the investigations disclose.

No prosecution for violation of this section of Taft-Hartley has been brought by the Department of Justice, although willful violators may be fined as much as \$10,000 and imprisoned for one year.

Some of the specific abuses uncovered:

- Payment of excessive commissions to and favoring of insurance agencies in which union officials have an interest.
- Excessive salaries, expense allowances and fees for fund administrators, including free Florida vacations and purchase of expensive automobiles.
- Payment of so-called management fees to insurance agents and brokers for alleged services normally provided without charge.
- Kickbacks by insurance agents to union officials and fund trustees for getting the insurance business.
- Loans and gifts to union officials by insurance agents.
- Changing insurance company, instead of renewing, to keep the agent's commission from decreasing.
- High retention rates by insurance companies in which union officials

have an interest. This practice reduces the potential refund or reduction in premium to the fund.

Evidence indicates that abuses are more likely where employers, committed to pay a specific amount into a fund—so much an hour or so much a week per employee—take no interest in what happens to the money. Some employer representatives on such fund trustee boards have been found to be in cahoots with union officials in mulcting the fund, or have been unable to resist union domination of the fund, or have simply not been interested in what happens.

The fund of the AFL Michigan Conference of Teamsters bought \$250,000 stock in the Union Casualty and Life Insurance Co., then switched the fund's insurance to that company without the knowledge of the trucking industry's trustee.

The fund for over-the-road AFL drivers in 22 central, southeast and southwest states pays \$8,000,000 in annual premiums to the same insurance company.

These two accounts and a third, the fund of an AFL electrical workers local in Chicago, resulted in \$1,142,000 in commissions over a four-year period to the son of an official of a small union.

The two teamster funds had enough excess, after payment of premiums, to buy \$1,000,000 in Montgomery Ward stock last year, besides the \$250,000 invested in Union Casualty.

Evidence also indicates that there is less abuse where the employer negotiates to provide certain welfare benefits for his employees, funding the program through insurance, group health or group hospitalization. Then there is no fund to attract corruption and the employer will be more diligent in keeping costs at a minimum.

Occasionally, welfare funds are invested in private business enterprises. The pension fund of a Chicago company became large enough to buy the company and the 33 retail meat markets it operated in Illinois, Wisconsin, Michigan and Iowa. The pension fund of salaried employees of a rubber company owns the properties of a radio network in California.

While it is too early to map the exact course Congress will take, it is evident that pressure for federal or state regulation of welfare funds—or both—is growing. Now that the state of Washington has broken the ice, and now that many fund abuses are receiving the glare of publicity, the businessman can look forward to assuming a larger share of responsibility in making welfare funds honest.

END



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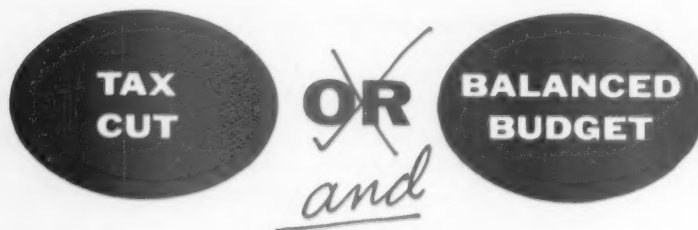
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► TAX CUT MAY BE BIGGER THAN YOU EXPECT

Politicians and economists revise their estimates as boomtime revenues pile up



THAT 1956 tax cut now seems certain—and it's likely to be bigger than the most hopeful politicians ever dreamed. Moreover, it seems likely that the nation can have both tax cuts and a balanced budget.

Because of the spectacular economic growth this year, federal revenues will be far higher than suggested by the official Treasury estimates in August. Revised Treasury forecasts of federal income for the next 18 months indicate that as much as \$2,000,000,000 to \$4,000,000,000 may be allotted to tax relief next year, while the government still balances its budget.

Another tax cut barrier, now falling, is the fear that sizable tax cuts would aggravate inflation dangerously. While some Democratic economists and lawmakers still hold this view, the Administration's economic experts seem to feel that inflationary pressures have or will have abated, and that tax cuts in 1956 can be ordered without economic danger—possibly with long-term economic benefits.

Thus it seems more than ever likely that the tax fight next year won't be over whether there should or should not be a tax cut, but rather, as Senator George of Georgia has

declared, over which taxpayers should get the cut and which party should get the credit. Here is the likely upshot of the inevitable political squabbling:

First, individual taxpayers will get the bulk—perhaps all—of it. Most of the benefits will go to lower bracket wage earners. Democrats are talking about accomplishing this by raising the present \$600 personal exemptions or by reducing the tax rate on the first \$500 or \$1,000 of taxable income. While some Republicans are sticking to the traditional G.O.P. program of an across-the-board reduction in income tax rates, others now lean toward an increased exemption to take care of the lower brackets, plus a small rate reduction to provide some additional relief in the middle and upper brackets.

Second, it is almost certain that any individual income tax reduction will take effect July 1. This date would not prevent a balanced, or nearly-balanced, budget for the fiscal year ending June 30, and it would still achieve the desired political result by becoming evident in take-home pay several months before the elections.

Third, relief for business will likely be confined to a bill eliminating

many of the technical and administrative problems plaguing business firms in levying and collecting federal excise taxes. The larger the total amount available for tax relief, the better the chance for some reduction in the present 52 per cent corporate tax rate. But for obvious political reasons, odds still favor another postponement of the drop to 47 per cent scheduled for April 1. Also likely to be extended are present excise rates on liquor, gasoline, autos and tobacco products. All these are also scheduled to fall under present law next April 1.

Fourth, it's possible that benefits from any 1956 general tax relief bill will be offset in part by tax increases resulting from legislation in other fields. It's likely that some tax boosts on gasoline, tires and other items will be included in legislation boosting federal spending for road building. Social security tax increases may be ordered as part of a proposal to expand social security benefits.

Ever since the big tax reductions of 1954, the official Administration position has been that further tax cuts must hinge on a balanced budget. Treasury Department spokesmen have said repeatedly that a balanced budget must be on the books or at least in sight before new tax cuts can be countenanced.

Today, although no further sizable reductions in federal spending are likely, the outlook is bright for a balanced budget this fiscal year and for a substantial surplus next year. This is due to the continuing economic boom, which is sending federal revenues far above expectations.

In January, when the budget for the current fiscal year was first unveiled, revenue figures were based on estimated personal income during calendar 1955 of \$298,500,000,000 and corporate profits of \$38,500,000,000. When the budget was revised in August, the revenue predictions were raised to match a new estimate of \$300,000,000,000 of personal income and \$40,600,000,000 of corporate profits. But the latest income estimates—not yet reflected in any new official budget revenue predictions—put personal income at \$302,000,000,000 and corporate profits between \$43,000,000,000 and \$44,000,000,000 for this year. Still further increases are possible.

As a result of this tremendous upsurge, Treasury officials now privately predict the deficit for the current fiscal year ending next June 30—last estimated at \$1,700,000,000 in August—may actually be no more than \$200,000,000 to \$300,000,000. There's even a good possibility of a

small surplus. More important, the Treasury people have decided that, even should the present unexpectedly high rate of economic growth slow down, federal revenues in fiscal 1957 should run anywhere from \$2,000,000,000 to \$4,000,000,000 above this year's.

Assuming that spending can be held at current levels—and Administration officials admit this is going to be difficult—this entire amount would be made available for tax relief. Except for an occasional dissenter such as Senate Finance Committee Chairman Harry F. Byrd of Virginia, there is little sentiment either in the Administration or on Capitol Hill for putting reduction of the \$278,000,000,000 national debt ahead of tax relief.

The argument is that present high tax rates are a long-term brake on the economy, and that a reduction in these high rates will help keep the economy growing at a healthy pace. In contrast, it is asserted, applying the surplus to reducing the federal debt would provide relatively little stimulus to the economy.

Of course, political considerations are believed to reinforce these economic arguments; most political leaders feel that tax cuts have much greater voter appeal than debt reduction.

Chances for sizable tax reductions next year are being helped not only by the rosier budgetary outlook but also by a substantial lessening of fears of inflation. Early this fall economists generally, both Republican and Democratic, were worried. They argued that 1956 would not be the time to add a couple of billion dollars to consumer spending power through tax cuts. These economists cited metal shortages and rising prices, the booming housing market, skyrocketing consumer credit and other developments as indicating a strong inflationary trend beginning to take shape in the economy.

However, Administration economists in the past few weeks have swung over to the belief that this inflationary outlook is no longer so acute.

They feel that home credit curbs and other anti-inflationary measures plus various economic developments in private industry have checked any real danger of inflation. They say there is no economic reason now why tax cuts cannot safely be ordered next year.

Even if something occurs to spoil this suddenly improved economic climate for tax reductions, the taxpayer still need not give up hope for tax relief in 1956. On his side would still be the political realities—or at least what many Washington lead-

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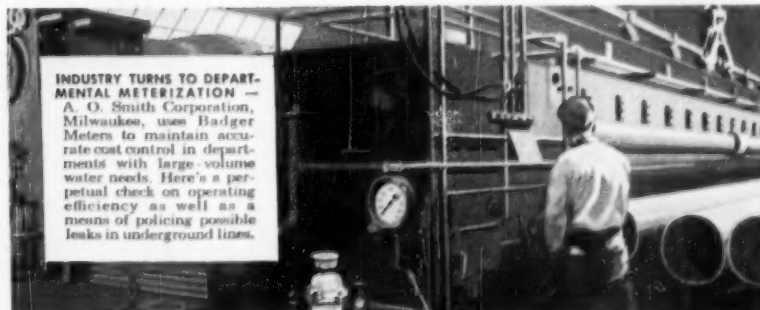
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TAX CUT *continued*

ers consider to be the political realities.

Tax rates are still at near-record levels. The individual range is from 20 per cent in the lowest bracket up to 91 per cent in the top bracket. In every bracket the take is high enough to be a constant irritation to the taxpayer.

Leaders in each party fear that, if they don't sponsor a tax cut, the other party will sponsor one and will get the credit. Thus, many Republican lawmakers warn the Treasury that the Democrats are certain to repeat their tax-cutting efforts of this year, and that, with an election coming up, G.O.P. congressional ranks will break and the Democratic-sponsored cuts will go through. So, they say, the important thing is for the Administration to come through with a tax plan first.

This opinion is being heard more than ever since the illness of President Eisenhower shattered a widespread Republican conviction that the 1956 presidential election was in the bag.

"Let's face it," says one Republican lawmaker. "We need all the vote appeal we can get now, and I've never yet heard of a tax cut that didn't have vote appeal."

Many Democrats also want to grab the initiative on tax cutting. They argue that, regardless of budgetary and economic conditions, the party burned its bridges when it made the 1955 fight for a \$20 per person tax credit, and that it would be politically impossible to swing over now to an anti-tax-cutting position.

"Even though the economic climate may be completely different next year as compared with this year, such a change in our program would be too hard to explain," one House Ways and Means Committee Democrat says. "They'd say we were flip-flopping, and we'd look silly."

In fact, many Democratic lawmakers have already been home during the recess attacking the Republicans for blocking tax reduction this year, and promising their constituents to get it for them next year.

Congressional Democrats who feel committed to pushing for tax cuts in 1956 favor a high-level party policy huddle late this month to be followed by an announcement of the kind and amount of tax cuts the Democrats will favor, thus beating the Republicans to the draw.

However, some other Democrats are not so sure about the wisdom of pushing for a tax cut early next year.

This group is trying to get the party to delay taking any stand until after President Eisenhower sends his legislative messages to Congress in January. They say that if the President doesn't blaze the trail by recommending reductions in his Budget and State of the Union messages, the Democrats should make no tax reduction campaign of their own.

Former President Truman, Presidential Candidate Adlai Stevenson and several influential Democratic members of Congress have indicated opposition to tax cuts before a budgetary balance is assured. Senator Byrd of Virginia has promised to fight any tax-cutting drive, warning that "it would be unsafe to make a permanent tax reduction based on present boom conditions."

Other Democratic lawmakers are still concerned over the possible inflationary dangers of a tax cut next year. Still another large group of Democrats prefers to use any excess revenue for schools, hospitals, highways and other new federal spending programs which they claim would have just as much political appeal as new tax cuts.

Meanwhile, technicians are ex-

55,000,000
taxpayers
will pay
\$32,000,000,000
in income taxes
this year

ploring the various forms tax reduction could take. For example, Treasury staff experts say that, within an hour after the White House decides how much of a tax cut the country can afford, they can put on Secretary Humphrey's desk half a dozen different plans to give exactly that amount of tax relief. Democratic experts in Congress are making similar preparations.

Top Treasury staff members are reported now to be leaning toward the idea of higher individual income tax exemptions to help the little man, plus a reduction in the tax rate for the middle and upper brackets—a program which would undoubtedly find favor with most Republicans in Congress.

Mr. Eisenhower is said to be incensed over Democratic charges that his Administration has favored big business and upper-bracket individuals and has slighted the little man. He is reported as determined that

any Administration tax reduction program next year must give substantial relief in the lower brackets.

A boost in the \$600 personal exemption would be a sure way to take the sting out of these Democratic attacks, the strategists agree. They also agree that any increase of less than \$100 would be of little political value.

However, some Treasury officials would like to limit the exemption increase to the taxpayer himself or to the taxpayer and his wife, keeping the present \$600 level for dependents. This would not only hold down the total revenue loss but would also help meet the objections of some single persons and childless married couples that the present system is unfairly weighted to help large families.

But Treasury officials also feel that a boost in the personal exemption would not be enough help for small businessmen, professional men, business executives and others in the middle and upper brackets. They consider rates in these brackets to be excessively high, and argue that since the people in these brackets have traditionally supplied the bulk of new investment funds, these high rates are drying up new capital. To increase the incentive for these men and women to take risks and invest, these officials would like to give a small rate reduction—perhaps as little as two or three percentage points—to persons making more than \$10,000 or \$15,000 a year.

The trouble with this ideal Treasury combination—an exemption increase and an upper bracket rate cut—is that it could cost as much as \$4,000,000,000 a year, the maximum amount likely to be available for tax relief.

Moreover, a \$100 across-the-board increase in the personal exemptions would remove some 5,000,000 taxpayers from the tax rolls. Treasury Secretary Humphrey—in the past, at least—has opposed any plan that would reduce the number of people who have some kind of tax obligation. He argues that every citizen with a reasonable income should help support the government.

Mr. Humphrey has said that any tax reduction should be in the form of an across-the-board rate cut. Such a proposal, however, would certainly set off a new barrage of Democratic charges of favoritism for the rich. It's still possible that Mr. Humphrey will stick by the rate reduction scheme but right now the word is that the Treasury official is leaning toward the politically more palatable combination plan.

Treasury experts would like to in-



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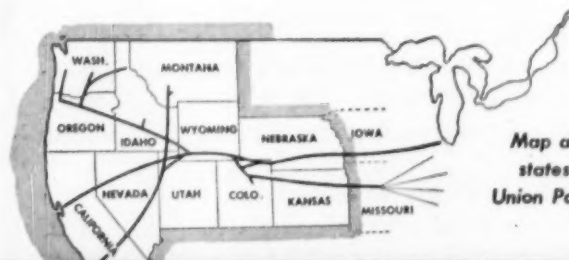
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clude in any tax reduction package next year a cut in the 52 per cent corporate tax rate. They feel that a drop to 50 per cent or 49 per cent would stimulate investment. They argue that the direct financial benefit to corporations would stimulate expansion and have an additional psychological effect by doing away with the government's taking more than half of all corporate profits.

But a drop to 50 per cent would lose the government close to \$1,000,000,000 of revenue, and the politicians can be expected to argue that the tax relief next year should be given to individuals—who vote—rather than business. They will contend that corporations got major tax relief with the ending of the excess profits tax and with the fast amortization and other provisions of the 1954 tax revision law.

Treasury officials want the high excise rates on liquor, gas, tobacco and autos continued. They contend that the government needs the money and that, as a matter of basic tax policy, excises should account for a bigger, rather than a smaller, proportion of total federal revenue. The Treasury will go along with a bare minimum of technical changes in present excise laws, but would oppose any revision that would involve an appreciable loss of revenue.

Democrats are concentrating their tax thinking on getting the most reduction possible in the lower bracket of taxpayers. They have pretty well discarded the \$20 per person tax credit they pushed this year, mainly

because the voters didn't seem to understand it. Party leaders found that, although a lower bracket taxpayer would get just as much tax relief from a \$20 tax credit as from a \$100 increase in exemptions, he thought he was getting only one fifth as much.

Some Democrats feel, therefore, that a flat \$100 increase in exemptions—if not for everyone, at least for the taxpayer and his wife—is the best form of relief. It is easily understood and thus has broad popular appeal. Others feel that a split in the lowest tax bracket, a project the American Federation of Labor has pushed in recent years, has great merit.

At present, the first \$2,000 of taxable income is taxed at 20 per cent. Under the bracket-splitting plan, the first \$500 or \$1,000 would be taxed at a lower rate—say ten or 15 per cent, depending on the revenue loss that could be afforded.

The bracket-splitting plan would have several advantages, according to its proponents. Even more than an exemption increase, it would concentrate the tax relief in the lower brackets. Its backers point out that a \$100 increase in exemptions for taxpayers alone would give a \$20 tax cut to a man in the 20 per cent bracket, but a \$50 cut to a man in the 50 per cent bracket. The establishment of a lower tax bracket would save each taxpayer the same dollar amount. Therefore, any predecided amount of revenue loss would give more relief in the lowest brackets than would any other plan, including the exemption increase. Moreover, the bracket-splitting plan would

meet the objections of those who oppose the exemption increase as removing too many people from the tax rolls. The bracket-splitting plan would take nobody off the rolls.

Objections to this plan are two:

1. It is harder to explain and put into headlines than the exemption increase, and so might not make as big a political splash.

2. Officials of the Internal Revenue Service claim it would make administration of the withholding system much more difficult. They say they would either have to underwithhold, requiring far more people to file tax returns than at present, or would have to overwithhold, resulting in a far larger number of tax refunds.

Most labor union officials and some Democrats in Congress would like to combine cuts in individual income taxes with repeal of some of the tax relief provisions of the 1954 tax law—notably those providing rapid amortization and granting a measure of relief on double taxation of dividends. It seems likely, however, that the lawmakers will finally reject this course, feeling it would only make enemies in an election year.

Democrats are inclined to favor continuing the present 52 per cent corporate rate and also feel obligated to extend present excise rates. Instead of lowering excise rates they are pushing a comprehensive technical overhaul of the entire excise tax program—one that could be almost as far reaching in the excise field as were the 1954 tax law's changes in the income tax field. They argue that, with a revenue loss of as little as \$100,000,000 or \$150,000,000 a year, they can do away with most of the problems that are troubling business in the administration of the excise taxes.

A House Ways and Means subcommittee has already held hearings on this subject and received complaints from businessmen on more than 100 specific excise problems. The subcommittee will have a report ready for the full committee early in January.

Members indicate that the committee will recommend such changes as these: procedures to make it easier to get refunds when excises are overpaid or erroneously paid; a clear listing of what articles are subject to retail excise taxes; new rules to make it plain when an item is taxable as a manufactured product and when it is tax-exempt as a reconditioned product; and machinery to get clear, prompt rulings from the Internal Revenue Service on new excise problems.—CHARLES B. SEIB

TRADE PROMOTION calendar

A new Trade Promotion Planning Calendar for next year is being prepared by the U. S. Chamber's Domestic Distribution Department in conjunction with its annual publication of the valuable distribution booklet, "Special Days, Weeks and Months—1956."

The calendar has a page for each month. On the back is a list of special days and weeks observed during the month.

The calendar and the booklet sell for 50 cents each from the U. S. Chamber of Commerce, Washington 6, D. C.

LOYALTY CHECK

continued from page 41

problems and gripes and seek common ground. Then, this summer, the Washington chapters of the Industrial Relations Research Association and American Political Science Association had a meeting, at which all sides, including labor, had their say.

In addition, two Senate committees, a Hoover Commission task force, and numerous private studies have searched into all aspects of the security program.

Out of all these discussions and studies have come some tangible results, conclusions, criticisms and proposals which give a clue to the future of industrial security.

Of the results, the most far-reaching was Congress' action in setting up a 12-member Commission on Government Security. President Eisenhower named Louis S. Rothchild, Undersecretary of Commerce; James P. McGranery, former Attorney General under President Truman; Franklin D. Murphy, chancellor of the University of Kansas, and Assistant Defense Secretary Carter L. Burgess.

The four appointed by Vice President Nixon are Sen. John Stennis of Mississippi; Lloyd Wright, Los Angeles, former president of the American Bar Association; Dr. Susan Riley, professor of education at George Peabody College, and Sen. Norris Cotton of New Hampshire.

House Speaker Sam Rayburn, Democrat, of Texas, selected Rep. Francis E. Walter of Pennsylvania, Rep. William M. McCulloch of Ohio, James L. Noel, Jr., attorney, Houston, Tex., and former Gov. Edwin L. Mechem of New Mexico.

Sen. Stennis, one of the sponsors of the Commission, said the question of government security has to be taken out of Congressional and presidential campaigns and other partisan politics. He said:

"Let us resolve to wipe the slate clean of past fumbling with security issues and of past recriminations so that we may decide as a matter of considered national policy what security is and how a realistic program should be conducted."

The Defense Department is creating an Industry Advisory Committee on Security, and is scheduling regional seminars on industrial security across the country. Another important result is the newly formed American Society for Industrial Security, which, through its membership of industrial security operatives, will come up with recommendations.

The major conclusions that are

New Orleans Union Passenger Terminal provides COTTON TOWELS for greater passenger comfort

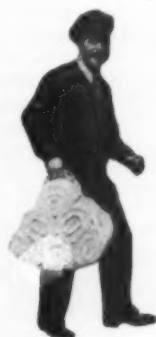


Union Passenger Terminal uses Fairfax towels supplied by Towel and Linen Rental Co., New Orleans, La.

The New Orleans of today is a city of contrasts where old world graciousness and modern business methods come face to face. Typical of this is the newly constructed New Orleans Union Passenger Terminal. Easily the most modern railroad station in the nation today, the Union Passenger Terminal handles the thru trains of 7 different railroad lines efficiently, quickly; yet with special attention to the comfort and well-being of their passengers.

It is no surprise, therefore, to find Fairfax cotton towels in both the staff and public washrooms. And the showers and clean terry bath towels available to travelers are another example of management effort to assure complete passenger comfort. Also from a practical angle the lowered maintenance costs, reduced fire hazard and cleaner, tidier washrooms make good business sense.

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LOYALTY CHECK

continued

coming from the re-examination are:

1. Communist subversion is a real and present danger. America's greatest defense against attack from the East is our lead time over Russia on new military weapons. The Central Intelligence Agency reports that of the Soviet military budget of \$28,000,000,000, ten per cent is earmarked for subversion.

The FBI adds a warning. Its study of communist techniques shows that lulls in the cold war, the eras of united fronts and friendliness, are the lushest recruiting periods for subversives. Communists infiltrate into fronts with such idealistic aims as peace or civil liberties, or establish their own organizations in areas wherever there is a grouping of interests.

Today, there are 22,000 regular Communist Party members. For

every member, the party boasts, ten are willing to do its work. In addition, 100,000 or so more hang on the fringes.

Five years ago, the American Communist Party began a new colonization program. New members were secretly recruited and ordered to join completely respectable groups. For the time being they were not to show any interest or sympathy in Russia or communism. They could emerge from this double role later.

2. Our need for a security system must not lead us to scrap the safeguards of the Bill of Rights. Chief Justice Earl Warren has written, "Must a nation that is now the strongest in the world demand, for its own further strength and security, a sacrifice of its own citizens of their ancient liberties? . . . In the present struggle between our world and communism, the temptation to imitate totalitarian security methods must be resisted day by day, because

it will be with us as long as totalitarianism itself."

3. "An employe holding a job in a defense industry has an important property right, and he is entitled to every consideration to retain that right," says Wilson McMakin, vice president and industrial relations director of the American Cable & Radio Corporation.

Criticisms of present methods come from industry, labor, and the public represented by Congress. There is a surprising agreement on the points of weakness. The government, through such authoritative offices as Deputy Attorney General William P. Rogers, advised NATION'S BUSINESS that much of the criticism is based on past errors that are being rapidly eliminated. The major criticisms are:

1. Accusations affecting an employe's livelihood are likely to be irresponsible. C. Dickerman Williams, a corporation lawyer and former general counsel of the Com-

THESE BAR SECURITY CLEARANCE:

- 1.** Committing or attempting sabotage, espionage, treason, or conspiring with or aiding others in these acts.
- 2.** Associating sympathetically with a saboteur, spy, traitor, seditionist, anarchist, revolutionist, agent of a foreign power whose interests are inimical to those of the U. S., or with anyone who favors altering the U. S. Government by unconstitutional means.
- 3.** Advocating unconstitutional means to change the U. S. Government.
- 4.** Membership or sympathetic association with any group which is totalitarian, fascist, communist, subversive, which favors the use of force to deny others their rights under the Constitution, or which seeks to alter the government by unconstitutional means.
- 5.** Intentional and unauthorized disclosure of classified information.
- 6.** Acting to serve the interests of another government in preference to those of the U. S.
- 7.** Participation in the activities of an organization established as a front for an organization referred to in paragraph four above when his personal views were sympathetic to the subversive purposes.
- 8.** Participation in the activities of an organization with knowledge that it had been infiltrated by members of subversive groups under circumstances indicating that the individual was a part of or sympathetic to the infiltrating element.
- 9.** Participation in the activities of an organization referred to in subparagraph four in a capacity where he should reasonably have had knowledge of its subversive aims.
- 10.** Sympathetic interest in totalitarian, fascist, communist, or similar subversive movements.
- 11.** Sympathetic association with a member of an organization referred to in paragraph four.
- 12.** Currently maintaining a close continuing association with a person engaged in activities or associations of the type referred to in paragraphs one through ten.
- 13.** Close continuing association of the type described above, even though later separated by distance, if the circumstances indicate that renewal of the association is probable.
- 14.** Willful violation or disregard of security regulations.
- 15.** Any behavior, activities or associations which tend to show that the individual is not reliable or trustworthy.
- 16.** Any deliberate misrepresentations, falsifications, or omission of material facts from a Personal Security Questionnaire, Personal History Statement, or similar document.
- 17.** Any criminal, infamous, dishonest, immoral, or notoriously disgraceful conduct, habitual use of intoxicants to excess, drug addiction, or sexual perversion.
- 18.** Acting in a reckless, irresponsible or wanton way which suggests poor judgment that might lead to disclosing classified information or aiding others in acts contrary to U. S. security.
- 19.** An illness or mental condition which, according to competent medical authority, may cause poor judgment or reliability.
- 20.** Any facts which indicate the individual could be coerced to act contrary to the best interests of the U. S.
- 21.** The presence of close relatives in a Moscow-dominated nation under circumstances permitting pressure to be brought on the individual through the relatives.
- 22.** Refusing, on grounds of the Fifth Amendment, to testify before a legislative committee or court, regarding charges of disloyalty or other misconduct.

merce Department, observed, "Jealous employees, people who did not understand what communism was, people who identified communism as socialism, or with world government, or with racial equality, might accuse an individual of communism, or disloyalty, and the employee would have no opportunity to meet that accusation face to face."

The vast majority of derogatory charges come from the casual informant, neighbors, ex-girl friends, former associates. The statements are not made under oath, and their dependability may be left to the judgment of the investigator.

However, a radical change in the system may grow out of a decision by a U. S. Circuit Court of Appeals. The court ruled on Coast Guard regulations for screening suspected subversives from merchant ships, and held that a security suspect has the right to know the identity of his accusers and details of their testimony. This issue will be taken to the Supreme Court.

2. The Defense Department criteria are so vague that employers and employees alike are left in a quandary.

3. Standards for security coverage differ according to the services, or even individual security officers assigned to plants. For example, Secretary of the Army Wilber M. Brucker favors "selective screening," that is, only employees in direct contact with defense secrets. Assistant Attorney General William F. Tompkins, Director of the Justice Department Security Division, insists that even delivery men entering defense plants should be investigated. A third point of view, expressed privately by scientists and industrialists, is that most secrets are mythical, that American know-how and industrial capacity are the real key to our lead over Russia. The issue of just what is a secret has never been resolved.

4. The term security risk has become associated in the public mind with communism or espionage, and the individual so labeled is black-balled. However, Joseph Amann, president of the Engineers and Scientists of America, points out that the majority of security risks are neither subversive or disloyal. "They are, instead, people with human weaknesses such as the tendency to boast and talk too much."

Many of the leading aviation companies say any individual designated as a security risk is discharged. Albert J. Tuohy, Republic Aviation security director, told associates, "My answer to the question how we handle security risks is, 'Fire them.'" This attitude has become widespread throughout defense industries.

An exaggerated fear of being rated



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LOYALTY CHECK

continued

a security risk is keeping scientists and engineers, whose brains are needed, out of defense work, Mr. Amann said.

5. The cost of security investigations is excessive and could be reduced by more selective coverage and efficiency.

An example of the cost to an individual is the case of a 38-year-old engineer whose security clearance was revoked last year. The charges were—his stepmother signed a petition opposing the outlawing of the Communist Party . . . a friend was an alleged communist . . . he attended meetings with known communists in 1948. He won reinstatement by showing on appeal that the first charge was completely wrong, he had not seen the friend or communicated with him in 12 years, that he attended a Wallace-for-President rally out of curiosity. However, his nonrecoverable costs in making the appeal were \$3,000. According to Mr. Amann, the cost of an appeal runs from \$1,200 to more than \$3,000.

6. In complying with security regulations companies may expose themselves to charges of unfair labor practices, suits for libel, or damaging public impressions that the company is not in sympathy with basic civil liberties. A section of industry believes companies should be entitled to compensation from the government in such cases.

7. A defense worker or official is subject to multiple jeopardy. A security clearance can be reviewed at any time and revoked on exactly the same information.

8. Rulings on security cases are often contradictory. An arbitrator upheld the Sperry Corporation in its right to discharge 17 employees denied clearance. Yet, another arbitrator ruled that Arma Corporation improperly discharged employees labeled security risks.

9. The company is often just as much in the dark as the accused individual on the reason for denying clearance.

10. Delays in clearance can delay a rush project. A Senate committee heard the case of an engineer who had invented a new type bombing system classed as top secret. Yet, he was denied access to his own report because his clearance was delayed more than two years.

11. Neither the government nor contractor has any protection against a communist-run union. The Assistant General Counsel of the Defense Department, Jack Stempler, testi-

fied, "If the department is negotiating with a company for an article, and we know that the union it is dealing with may be communist dominated, we do not like that. There was nothing we could do about it."

12. Despite elaborate precautions in the United States, secret weapons are shipped to our allies for assembly in plants loaded with security risks. As an example, F-86 fighter planes were sent to the Fiat Company plant in Turin, Italy. Some 60 per cent of the workers in that plant voted communist in the last election.

The story of how one company met some of the thorniest problems was told by Mr. McMakin of American Cable & Radio Corporation at a seminar in Washington. He said:

"The American Communications Association, formerly CIO and thrown out for following the communist line, represented my employees



in American Cable. Today, they no longer represent them, and it is a result of the cooperation of the decent American labor unions and the aggressiveness and determined action on the part of the corporation officials who have shouldered the responsibility for secure defense contracts.

"We do require employees to sign a statement, stating whether or not they are members of any of the organizations on the Attorney General's list. However, we give all of these employees who indicate they are members every public right of defense. They can question those who are charged, or who charge them, or who bear witness against them. We cooperate with our labor union in that respect.

"I would like to pay tribute to the Communication Workers of America, CIO, which now represents our employees. They defeated the ACA in an election. In the bargaining, the company took the position that it was necessary to have something in the labor agreement that would help to solve the subversive problem in

our industry. Joseph Beirne, president of the CWA, along with the local union, helped write language in our labor contract to that end. I believe if the labor unions and companies will follow something of the example we set in working together and putting into the labor agreements protective machinery for the employees and for the security of defense contracts, we can solve this problem."

Another important source of guidance to industry is FBI experience. It has more expert knowledge and experience with subversion and security than any other body.

For some time, the FBI has recommended that the entire security concept be scrapped and replaced by a suitability standard. The Bureau insists there are few disloyal citizens, but many whose temperament, habits and background might make them unsuitable for top secret work.

Many companies have their own highly trained security staffs. At left is Russell E. White of the General Electric Company, with Paul Hanson of the Reynolds Metals Company. Both were active in the formation last month of the American Society for Industrial Security, which took place in Washington

Such individuals can be shifted to less sensitive jobs without being discharged or branded disloyal.

On other controversial points, the FBI suggests:

Extent of security coverage: The FBI favors limiting security to really secret areas. For example, why put rigid security guards and tests on all employees of a tank factory when only one part of the weapon is secret?

Use of informants: The FBI instructs its agents to find out whether an informant is reliable or has a malicious motive, and so to state in his report. If an informant makes a serious charge, the FBI feels a responsibility to determine the truth of the accusation.

The director, J. Edgar Hoover, opposes the view that an accused should be able to face the informant. This, he argues, would destroy the system of undercover agents used to penetrate into enemy espionage ranks.

Guilt by association or kinship: The FBI contends that single membership in a front for a brief time, or

association with a member does not, by itself, establish a security risk. A pattern of memberships, moving from one front to another during its period of communist domination would, instead, be a reliable test.

Role of the investigating agent:

The FBI has avoided every pressure, and there have been many, to make it the judge of security. Mr. Hoover has stated the investigator's job is to dig out facts, not decide guilt or innocence.

The FBI is behind the proposal for loyalty review boards in government, as well as industry, to hear evidence presented by investigators and accused, and make the decision on loyalty. The Atomic Energy Commission has such a system where the accused can see the charges and prepare his defense.

Selection and training of security agents: The FBI recommends that agents be chosen for background, education, temperament and demonstrated ability, and carefully trained. They should be schooled in rules of evidence, so they will not mistake rumor for fact, and in techniques of subversion. They should be brought together with other agents to talk over cases and mutual problems.

Control of the security program: The FBI favors central coordination by an office or commission, but does not want the job itself. This office directed by a nonpartisan commission such as the Atomic Energy Commission and staffed by merit appointees free from political pressures could perform such useful functions as:

►Seek to insure uniform, fair and effective standards for security and security agents.

►Arbitrate interagency disputes such as arose over atomic fall-out. Civil Defense Administration complained it could not organize defense against atomic war because the AEC refused to give it secret data on atomic fall-out.

►Bring together security experts, in and out of the government, for periodic conferences to spot weaknesses and plug loopholes.

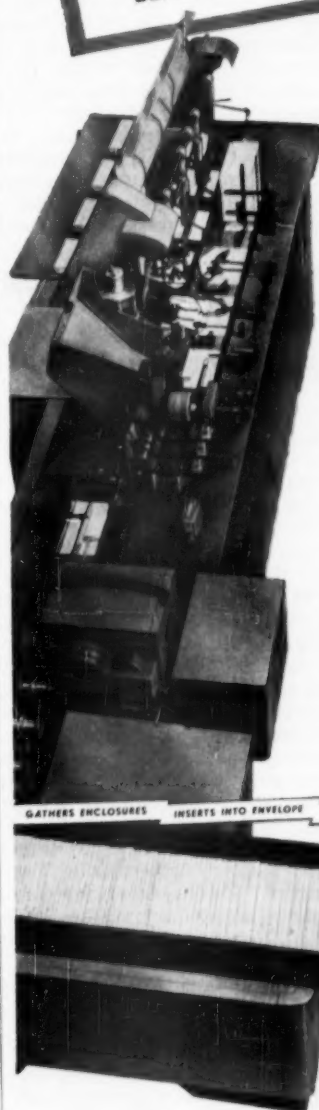
►Bring together agencies to work out common security problems. For example, cooperation between the Defense Department, Central Intelligence, State Department and International Cooperation Administration would avoid shipping secret U. S. arms or giving contracts to foreign plants dominated by communist workers.

These are guide posts by the one group most experienced in this new field. They may well form the framework of a new security program.

—TRIS COFFIN

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OUTLOOK FOR '56

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people in the middle income brackets, there is reason to believe the earlier ratio of debt to income is not wholly relevant and that there is elbow room for a further expansion. But the recent rate of expansion is probably not maintainable. Thus here is a potential soft spot or even trouble spot.

This same conclusion may apply to the rise in mortgage credit. The ratio of government underwritten mortgages has risen rather rapidly. But the number of families who now own their homes has increased enormously.

Thus the rise in mortgage debt payments is primarily a substitute for paying rent. Repayments are on a regular basis now. Defaults here and in consumer debt have remained nominal.

Passenger car sales may exceed 7,500,000 this year—a new high, and far exceeding the most optimistic estimates a year ago.

Because of this good year, some say that next year will likely be down.

But improvements in automobile design since 1953 and 1954, more attractive colors, improvements in handling, parking and safety—all these factors could combine to reinforce a vigorous demand in 1956, only moderately below that of this year.

Construction has outperformed even the most optimistic estimates. Work on the drawing boards of architects is holding up remarkably well. This suggests a moderate increase in 1956 over this year. It is estimated that this year we will put more than \$41,000,000,000 into construction. The figure for next year may be as high as \$43,000,000,000. This would be the tenth successive record-breaking year in dollar amount.

Both private and public construction are expected to be up about the same proportion, roughly five or six per cent. Housing starts, after showing some seasonally adjusted decline through part of this year, again showed some tendency toward stability.

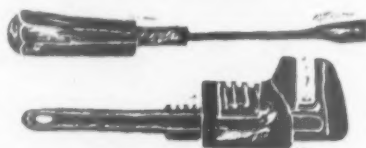
For the seventh consecutive year, in 1955, we will have more than 1,000,000 starts. Starts may be down ten per cent in 1956 from the prospective 1,300,000 of 1955. Because of the increase in income, the improvement in the quality of housing and the inclusion of many items such as air conditioning and other developments, the dollar amount spent on

new housing in 1956 may, however, exceed that of 1955.

Plant and equipment expenditures are going forward at substantial rates. The upward wage pressure, the guaranteed wage demands, and product competition is stimulating modernization, conversion and expansion. The growth of automation and new techniques, plus competition, are forcing many companies to examine cost structures and introduce the latest developments to keep costs under control.

The high incomes and willingness of the American people to spend their incomes promptly is encouraging many corporations to plan for greater capacity.

Much of the mobilization industrial base which was planned, after the opening of the Korean war, to be available on a stand-by basis, is now being used for normal civilian production. This leaves little surplus capacity in case of emergency. This has become a matter of concern to those in Washington who are responsible for encouraging the expansion of our industrial strength against a third world war. For this reason, ex-



panded capacity for steel as well as other lines is encouraged though rapid tax write-offs are less frequent.

While national government expenditures for new construction may continue close to recent levels, state and local construction is almost certain to increase in 1956. Expenditures on streets, highways and bridges are bound to increase. The same is true of expenditures on sewers, water systems and schools.

For the most part, the public works which will be emphasized in the year ahead are the type which will complement private expansion. Realtors and contractors in many communities are running out of land for the development of new structures, including business as well as residential. Before expansion can take place, streets, approaches and public utilities and other public services must be put in place. The demand for schools will be strong. And it appears that expenditures for this type of construction will be up ten to 20 per cent above 1955. In general, state and local public works are the only major areas in which we still have large backlogs of demand.

A growing money supply is a lubricant for a growing dynamic econ-

omy. In the earlier period of the Federal Reserve system, the purpose seemed to be "to accommodate the needs of business" through credit policy.

While this is still an objective, another objective has been added. Monetary policy, through Federal Reserve operations, aims to help stimulate the growth in the money supply. But this growth needs to be consistent with the maintenance of a stable average price level, and yet accommodate the growth needs due to rises in productivity, the growth in the labor force and the general expansion of the economy. In the past year, the money supply increased by, roughly, \$8,000,000,000, which is just about right to maintain price level stability plus economic growth.

If the monetary authorities now continue to hold the credit reins reasonably tight, this will help prevent inflation and avoid overbooming the boom to the point where contraction would be inevitable.

In turn, this provides elbow room for the period ahead, so that, if softer markets and unemployment threaten, there is an opportunity to relax credit and thus expand production and job opportunities.

Furthermore, in 1956 we are likely to have some tax cuts. This will leave the taxpayers additional money to invest or spend.

Most of Latin America is expanding, and the same is true of Europe. This should encourage high levels of foreign trade.

In short, there are no serious dark clouds on the horizon. Of course, 1956 will be a political year, and strenuous efforts will be made to capitalize on the difficulties of so-called depressed areas. The agricultural situation will be thoroughly exploited.

Nevertheless, the capitalistic system is strong. It has deep roots in American traditions. It is adaptable and the politicians are not likely to weaken it greatly in the year ahead.

There is reason to believe that the structural changes in our economy, the development of depression cushions and the capacity to utilize monetary and fiscal policy to avoid excessive inflationary booms can also be used to avoid, or at least mitigate, deflationary tendencies. Business executives have much in the way of improved and new products.

But still it is wise to watch out for surprises. Trouble spots are rarely fully anticipated or comprehended until they become serious. Contractive and expansionary forces are always present. The trend depends on the balance between them. For 1956, expansion has a better than even chance.

END

► Russian workers face grim future

THE average Soviet worker never had it so bad.

Furthermore Russian factory and agricultural workers will face new hardships when the Soviet Union announces details of its next five-year plan for economic development in 1956.

These conclusions are suggested in a report just published by the U. S. Labor Department's Bureau of Labor Statistics, Division of Foreign Labor Conditions. It shows also that Russia's wage and salaried labor force of approximately 50,000,000 men and women has been saddled with heavy new burdens in the form of compulsory government bond purchases and increased work requirements stemming from renewed emphasis on output of producers' goods.

Russia's current budget doubled the 1954 sale of government bonds to the people. In 1954 the figure was 15,900,000,000 rubles (about \$4,000,000,000). The 1955 figure is 30,500,000,000 rubles. This means that the average Soviet worker will have about four weeks' pay deducted from his earnings this year.

The stress is once again on Russia's heavy industries—the armament-producers. With this stress will come increased work quotas and a general heightening of pressure on Soviet industrial workers.

At the same time, capital investment in consumer goods production is being reduced. This means workers in the Soviet Union can expect fewer amenities than they had been led to expect when Malenkov was in power two years ago.

"There may be a number of other repercussions from the new emphasis on heavy industry production on workers that will bear watching," states the new analysis.

A considerable portion of the urban labor force, particularly office workers and new young workers, will continue to be transferred to heavy industry and agriculture. More than 100,000 young men and women were sent to the steppes in Central Asia to develop virgin soil or reclaim waste lands under the most primitive living conditions.

How free is the Soviet worker? If he is absent from work repeatedly, or quits without permission, he faces court action and possible severe penalties, including fines and imprisonment.

"For political and psychological reasons," the report continues, "the (Soviet) government may be expected to announce its annual spring price cut for consumer goods although perhaps a smaller cut than in recent years. Failure to do so would confirm the critical state of the Soviet national economy."

The annual price cut was omitted this year, the first time since 1947.

The lot of Soviet workers would be less difficult if their material rewards were adequate. But latest available data on the earnings of Russian workers and the prices they must pay for necessities and luxuries show that the general level of Soviet living is lower now than it was in 1928 when the first five-year plan went into effect and private enterprise in Russia began to die of strangulation.

Analysis of Soviet food price and earnings data indicates that the average worker has to work about 43 per cent longer now than he did in 1928 to buy the weekly supply of seven foods—bread, potatoes, beef, butter, eggs, milk, and sugar.

"In terms of food," the Labor Department says, "the relative position of the Moscow worker is worse than last year; in terms of other commodities his position is slightly better. The average Moscow worker has to work about twice as long for a pound of bread as a New York City worker. For beef and milk, he has to work about five times as long; for potatoes, six times; for eggs, eight times; for butter, ten times; for tea, 21 times; and for sugar, 26 times."

The work time required for purchase of clothing is about ten to 20 times more in Moscow than in New York City. The average Soviet worker earns 600 rubles a month—about \$150, at the unrealistic exchange rate fixed by the Soviet government. **END**

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LABOR GOVERNMENT

continued from page 35

The issue of compulsory unionism was bitterly contested in debate over the Taft-Hartley Act in 1947. Employers generally feel that compulsory union contracts should be outlawed; they see nothing right in requiring employees to join a union in order to work. The argument that there will otherwise be free riders makes no sense to employers who can point to free riders in all democratic organizations, including those of employers.

The outcome in Congress was a compromise. Taft-Hartley prohibits the closed shop, which would require a worker to belong to a particular union before he could be hired. But it allows the all-union shop, which requires a worker to join the union shortly after he is hired. Taft-Hartley, however, contains a proviso that state right-to-work laws, which prohibit compulsory unionism in any form, take precedence over the federal statute's allowance of the union shop. Elimination of this proviso will be the prime objective of the merged AFL-CIO in the next session of Congress. If successful, union leaders would thus, in one quick stroke, nullify for all practical purposes the right-to-work laws passed by 18 state legislatures up to now.

Unless the state right-to-work proviso in Taft-Hartley is preserved and some of the big industrial states follow the others in passing right-to-work laws, comparatively few contracts may ultimately remain where employees can freely choose to join or not to join a union. The bargaining power of many unions is so great that, as we enter a new decade of labor-management change, many more employers would have to acquiesce to compulsory union contracts in the long run. The compulsory unionism issue is largely one of principle. However, the cost of fighting for this principle of individual freedom against the ambitions of a powerful union can be so great that few employers could afford it.

Union power has expanded in other ways. Union assets have skyrocketed. The Amalgamated Clothing Workers control more than \$250,000,000 in assets. Other big unions control in excess of \$100,000,000 each. The United Automobile Workers report income of more than \$25,000,000 a year; the United Steelworkers more than \$16,000,000. The Teamsters Union boosted its assets from \$23,000,000 to \$32,000,000 in less than two years.

The financial gains are pretty

much gains of the past decade. As unions move further into pension and welfare funds, the growth of union-controlled assets is likely to become more impressive. Unions today probably control \$1,000,000,000 in pension and welfare funds. With management, they jointly control several billion dollars more.

The day of underdog unions is gone. Some are powerful enough to bring whole industries to a standstill over small issues in ways no group of employers would dare do.

Employers have been aware of this trend and its threat to the private enterprise system for years. They argued at the 1945 conference that, in the public interest, the activities of labor unions should be controlled and their responsibilities defined, just as is the case with management. Proposals to bring unions under the antitrust law are met by stout resistance from labor and, thus far, inaction from Congress. Unions engage in monopoly and other antitrust activity without danger of prosecution—unless an employer is a party to it.

Employers have fought continuously for legal responsibility on both sides of the bargaining table. Congress ultimately responded to public opinion by making provision in Taft-Hartley for employers and unions to sue each other for damages resulting from breach of contract, and by set-

ting up a code of unfair practices for unions as well as employers. Few damage suits have been filed against unions, probably in part because the problem of collecting damages from unions, even after obtaining a judgment, is much more complicated than obtaining them from corporations.

More significant than what Congress has done is what it has failed to do. Congress has failed to prevent the secondary boycott—the union tactic of attacking an employer with whom the union has a dispute by bringing pressure on a neutral employer.

Here is an example:

A small delivery business refused to force its employees into a union. The union went to the merchants, threatened them with picket lines if they continued to use the delivery service. The service was forced out of business. Taft-Hartley does not protect employers against this practice.

Congress has refused to place powerful unions under antitrust laws. Except for exempting foremen, Congress has failed to curb the union trend of enlarging their bargaining role. The functions of management as we have known them are without legal protection.

There is no law to prevent a union, as a price for labor peace, from demanding that it have equal repre-

LABOR'S POLITICAL INTENTIONS

Labor leader George Meany, at the opening in Washington of the new \$5,000,000 headquarters of the 1,400,000-member International Brotherhood of Teamsters: "We expect to use every method legally available to us as citizens. This without question will include political action. . . . The scene of battle is no longer the company plant or the picket line. It has moved into the legislative halls of Congress and the state legislatures."

sentation with stockholders on the Board of Directors. This could bring co-determination to America if unions succeeded.

Union leaders have followed each other in seeking the union shop, pensions, welfare funds, escalator wage increases, productivity wage increases, and now supplemental unemployment benefits. New "gains" sweep through entire industries and spill over into others in amazingly short order. This situation prevails particularly in such industries as basic steel, automobile manufacturing, coal mining, and in those transportation industries where everything that moves on wheels is controlled by the powerful Teamsters Union.

In any event, substantial further enlargement of the area of bargaining and weakening of management functions loom ahead if the labor-management revolution continues in the same direction.

Another big question mark is how far labor can develop its political power. Despite labor's failure to defeat the late Sen. Taft in Ohio in 1950, major labor successes in 1954, particularly in Oregon and Michigan, are more realistic examples of labor's political potential.

George Meany, who will be president of the merged AFL-CIO, has made clear that the merger will bring an expansion of political activity. Labor could become the dominant political force in the nation. In that event, a labor government in fact, if not in name, could result.

Through our democratic institutions and the assertion of public opinion there is always a chance that trends will be reversed. Congress and state legislatures are usually sensitive to public opinion.

Will the next two decades bring such changes, or will public opinion allow labor's growth in economic power to continue unabated?

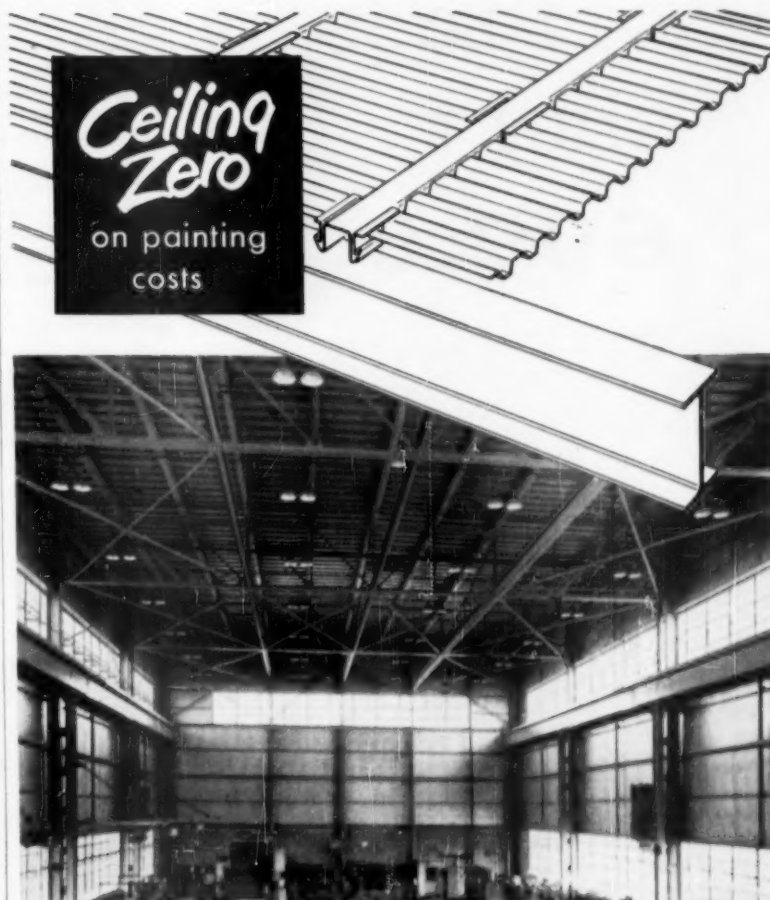
Will public opinion allow labor's political power to increase so that it rules the nation?

If so, what will happen to private enterprise?

How these questions are answered will tell the story of our country's future.—WILLIAM B. BARTON

REPRINTS AVAILABLE

The article "We're heading for a Labor Government" may be obtained in reprint form for 10 cents a copy or \$10 per 100 including postage. Order from Business Manager, Nation's Business, 1615 H Street N.W., Washington 6, D.C.



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offices short 600,000 workers

here are steps
designed to ease
current problem

AMERICAN business faces a chronic shortage of office workers through the next three to five years.

Only drastic corrective steps—taken now—can avert this problem. The shortage will grow more acute as the nation's economy expands and more jobs are created.

Estimates of the current shortage range from 600,000 to 1,000,000. In large cities, such as New York and Washington, the search for stenographers, typists, office machine operators, receptionists, file clerks, and other white collar personnel is all but frenzied. Smaller urban centers are caught in the squeeze, too. In Indianapolis, for example, there are three stenographic openings for each applicant.

Classified advertising sections of newspapers are filled with appeals for clerical help. Competition



In cities the search for clerical help is constant, almost frenzied

for available workers is intense. Large firms have scouts scouring business and high schools for prospective stenographers and typists. As a result, many talented business school students are spoken for long before they graduate.

The California Department of Employment says employers in the San Francisco Bay area are so enthusiastically plying both public and private schools with job offers that the educators are unhappy.

"Students are constantly leaving the schools before they have finished their courses," the department reports, "and before they measure up to the standards set by the schools. One public school giving commercial training says that the demand for its pupils is now running from three to four times as large as one year ago. Twice a year, employers pounce on the meager supply of new graduates available for clerical employment, a supply which immediately disappears without leaving a trace and one which is not expected to increase particularly before 1957 at the very earliest."

It is definitely an employee's market. Personnel directors and veteran employment agency officials tell of the cocky demands which teen-age girls fresh from the classroom make when applying for office positions:

"We don't interview them," says one harried personnel chief, "they interview us. They want to know im-



"They interview us about holidays, coffee breaks, pay raise policies"

mediately how much take-home pay they will get, how long the coffee break will be, how many holidays they get, when they can expect their first raise."

Industry's response to this kind of approach, for the most part, has been a policy of appeasement. Thus, salaries for office workers are being forced steadily upward in the major labor markets and will probably continue to rise.

A recent Bureau of Labor Statistics survey of clerical salaries in 17 major labor markets across the nation shows the following range of weekly typist, stenographic and secretarial salaries: for typists, from \$40 in Memphis, Tenn., to \$53 in Chicago; for stenographers (who are in particularly short supply), from \$51 in Memphis to \$65 in San Francisco; for secretaries, from \$60 in Memphis to \$76 in Los Angeles. These are averages in the various towns. There are notable exceptions in terms of both low and high salaries in all of the areas surveyed.

In an effort to woo female workers many firms have

remodeled their offices with a stress on decor designed to please the feminine eye. Air conditioning has become a must, and a few employers, including a large southern insurance company, are offering such luxurious extras as employe swimming pools and golf courses. A Washington, D. C., firm even maintains a Florida resort cottage for its office employes.

A number of factors are blamed for the current shortage. Principal reasons include:

- High turnover among young women employes—who make up the overwhelming majority of all office workers—because of an increasing number of early marriages.
- Lure of higher pay. This prompts many young women, including a large number trained for office work, to seek jobs in factories and other places of employment which have pay scales above the going rate for office work.
- Lack of interest in business subjects while the girl is in school. Typing, shorthand and kindred skills are not easily mastered, so the girls tend to take subjects which require less effort.
- Low birthrate of the 1930's and its end-product—fewer young women entering the labor market now.

Even firms which manage to find office workers discover that they have not licked the problem. There is almost universal agreement among personnel officers interviewed by NATION'S BUSINESS that the quality of clerical applicants is not what it used to be.

Some companies have found that applicants are so lacking in proficiency that, before they can be placed on the job, they must get additional training at the company's expense. The company, in other words, must give the girls training which, for one reason or another, they failed to get in school.

In some schools, because of a shortage of commercial course teachers, obsolete training equipment and overcrowding of available facilities, youngsters are being hurried through such courses as typing and shorthand, with consequent lowering of standards. The result is that most applicants can only take shorthand up to 90 words per minute, instead of 120 or more words.

A study conducted among high school students in Pittsburgh showed that 85 per cent of the students tested could not take dictation at even the low rate of 60 words a minute. Only five per cent could achieve 80 words a minute.

"It's appalling," says the personnel director of a large



eastern organization. "The kids don't have adequate proficiency in typing and shorthand to handle the kind of work we have for them, and, to make matters worse, the government will pay them more—even if they are underskilled—than we can afford."

To cope with this situation numerous concerns have been forced to hire additional people to fill the sizable gaps created by the underskilled. Two people have to do the work formerly done by one. Delays in office operation result. Paperwork flow is slowed down. For a small company with limited capital reserve these results mean a cost that can become almost intolerably heavy.

The supply of available office workers is not growing as fast as the total economy. In fact, the number of young women readying themselves for office careers is dropping sharply in certain employment areas, while the number of such jobs to be filled is increasing.

Here's an example: In Washington, D. C., school board statistics show that 3,200 students studied shorthand in 1940. In 1954, only 1,000 students took this course—a decline of 68 per cent while total high school enrollment declined only 31 per cent. In 1940, 19 per cent of all students in the public schools of the capital city took shorthand and other transcribing courses; in 1954, only nine per cent.

This decline is particularly dramatic in view of the tremendous number of office job opportunities which await stenographic and secretarial applicants in Washington.

Actually, cities like Washington and New York are better off than some other areas. Washington, because it is the nation's capital, and New York, because it's our largest city, draw young women from all over the United States, thus removing them from other labor markets. But the fact that there are such job-seeking pilgrims doesn't ease the headache of many New York and Washington personnel directors.

"They have a glorified idea of what they are worth and what kind of work they should be doing right off the bat," says one man responsible for hiring secretarial and stenographic help. "There is resistance to being a pool secretary, and even those being screened as possible one-man secretaries give us trouble. Some of these girls want to know everything about the boss before they start. You couldn't satisfy them even if you showed them the results of his latest psychoanalysis."

Other factors contribute to the current dearth of office help. Persons who have analyzed the situation note that

Short 600,000 workers



there is a disturbing tendency for girls who have been trained for office work to finish high school and then, instead of entering the help-hungry labor market, go right on to college, after which they may or may not find their way into office employment.

"We have reason to believe that a lot of them never do get to the office," moans one business executive.

Another factor that hurts: The trend to suburban shopping and business centers is pulling young women out of the downtown labor market. Suburban jobs are much sought after, since they offer the advantage of being closer to home.

Furthermore, today's parents, including some who have held office jobs, tend to down-rate office work when discussing vocations with their youngsters.

A two-year survey just completed by the National Office Management Association puts the clerical help shortage into clear focus.

NOMA's officers asked the Drexel Institute of Philadelphia to conduct the survey after receiving calls for help from office managers, administrators and personnel directors.

"The importance of this problem at the present time cannot be overemphasized," says W. H. Evans, executive vice president of NOMA. "Young women were rarities around offices 50 years ago, but now they bear an amazingly large and important part of the responsibility for our economy."

"As office paperwork increases and office management becomes more complex, reliance upon the office worker is growing. Increased use of automatic equipment in the office can absorb some of the brunt of this growing demand, but the burden on the office worker will remain heavy."

Mr. Evans and his associates see the clerical shortage continuing for at least three years. Their outlook coincides, generally, with predictions of the U. S. Labor Department's Bureau of Employment Security, which recently asked 31 of its metropolitan area offices to report on the adequacy of office worker supply, and received almost uniformly gloomy replies.

By 1958 or early 1959 the postwar baby boom will begin to show up in America's high schools, translating itself in terms of more prospective business course graduates and a larger supply of office workers. However, the fact that more young people will be entering the labor market by 1958 and thereafter doesn't mean that they will have talent for efficient office work. A better

training job will have to be done, and more able young people will have to be attracted to this kind of work.

In discussing the reasons for the current scarcity of office workers, Mr. Evans, a former teacher of commercial courses, deplors the tendency on the part of some teachers and student counselors to channel bright youngsters into noncommercial courses.

"They seem to reserve the not-so-bright for the business subjects," he says. "This is a tragic mishandling of our nation's youth. Teachers should recognize that training in office procedure and technique can lead a young man or woman to wonderful opportunities. Office executives are always on the look-out to upgrade office workers. Some of the nation's top businessmen got their start in office work."

Mr. Evans believes that today's high level of business activity, and attendant plenitude of job openings, is a further cause for the scarcity of office help. There are too many other kinds of jobs beckoning to young people, and standards for office work have been lowered too



far. By 1960, he points out, the catch-up in numbers of young people entering the labor market may produce keener competition for available jobs and encourage the kind of self-improvement which needs no explanation to those who sought employment during the depression of the 1930's.

Stenographers, top-grade secretaries, skilled typists, and office machine operators are most in demand at the present time. This is borne out by a NATION'S BUSINESS poll of the 48 state division offices of the U. S. Employment Service, and by interviews with personnel directors and heads of employment agencies.

Only a few cities report office managers in short supply. Nor is there an appreciable demand for male office workers. Of the estimated 8,000,000 office workers in the nation more than three fourths are women.

In many areas there is ample supply of stenographic, secretarial and other applicants, but an insufficient number of these applicants have the qualifications which business, government and other hirers of clerical help are looking for.

"For at least eight years," says R. T. Malone, director of the Nebraska Division of Employment Security, "we have experienced a shortage of well qualified

and experienced stenographers and secretaries of the career type. The acuteness of this shortage seems to fluctuate and is rather difficult to gauge; we do feel the shortage is more acute now than in the recent past."

What can business do to get around the persistent shortage of office workers? Here are steps which some firms are taking:

►Employ more older women, either on a part-time or full-time basis. A large pool of untapped womanpower exists in the person of the retired woman worker, and the married woman who has raised her family and now is seeking ways to occupy her time. The Labor Department estimates that a total of 11,000,000 more women between 18 and 64 could be in the work force.

►Use more disabled workers. The U. S. Department of Health, Education and Welfare says about 15 per cent of all workers who are rehabilitated annually under the state-federal rehabilitation program go into clerical and kindred jobs.

►Look into the possibility of employing Negro workers. In some severely affected areas numbers of Negroes are trained for office work but their opportunities for that kind of work are limited.

►Attract young mothers back into the labor market by arranging working hours to fit their domestic responsibilities. A New York bank created a special nine-to-one shift for mothers who have children in school.

►Provide on-the-job training. This will help to increase the proficiency of underskilled new employees. Various techniques are being used in this connection. A noteworthy example: A Massachusetts insurance firm hires commercial teachers during the summer, has them work side by side with underskilled employees with the object of showing the underskilled, by example, how work can be handled more efficiently.

►Pay bonuses to underskilled employees who, on their own initiative, take night school or week-end courses to improve their shorthand and typing abilities, and office specialties.

►Make fuller use of the abilities of those workers already in your employ. Many businesses hire a young woman, place her in a job, then freeze her there, forgetting that she may have received training that would make her a good prospect for advancement. As a result some firms go outside to hire new workers with specialized skills, without first checking to see if they already have people on the payroll who could tackle these jobs.

►Employ more male office workers. The tradition of hiring only women for office work is followed so faithfully in some parts of the country that available male office workers are by-passed. The increased use of office machines in the future may tend to lure more men back to office work.

►Use more automatic machines in the office.

►Make work-simplification studies to determine if additional help is really needed, or if the job to be done couldn't be handled with manpower now on the payroll.

The businessman has in his hands the power to break down two of the principal barriers to an adequate supply of office workers—resistance to hiring older workers and resistance to hiring married women.

Older women make mature workers, and they bring a refreshing stability to office employment. Married women—especially those with children and inadequate family finances—have a sense of responsibility and devotion to the job which is not evidenced by many single women with little or no responsibility.

The questionnaire which NATION'S BUSINESS circulated among employment security division offices in each of the 48 states bulwarks the thesis that business

is missing a good bet by imposing arbitrary limits on the maximum age at which a new employee may be added to the payroll. In numerous states, the survey reveals, 35 is the top age for women seeking office jobs. Yet modern medical technology has lengthened the productive life span and many companies with long hiring experience have learned that women in the age bracket 35-50 often make the best secretaries and stenographers. At this age, it is pointed out, women usually have outgrown their tendency to "job-shop," a term currently in use to describe how younger women who grow restless in their jobs after a few months—sometimes a few weeks—start looking for greener pastures.

NOMA itself, in its Philadelphia headquarters, has come to appreciate the qualities of older working women. Once faced with crippling, periodic shortages of young females in the office, the organization now relies on the part-time services of a group of older women, including a few long since retired from the



Future may find more male clerical workers as well as more machines

labor market. A number of these women are mothers of girls who are full-time members of the NOMA office staff, and for this reason officers of the organization refer to the relief battery as "our mothers' club."

A long-range, basic need is for greater emphasis on business training in the schools. Here businessmen can play an important role. Youngsters should be shown early that office work is a challenging avenue for personal advancement.

In some communities, business leaders are beginning to take the steps which can lead to a new interest in and a greater understanding of the office as a career. Several large concerns offer senior high school students interested in office careers the opportunity to work at office duties during the summer recess and even during the regular school year. Students are paid for the work they do. For the companies involved the investment is a small one, considering its ultimate return.

Such a program gives the student a chance to improve his skills by actual office experience, a factor that will produce a better equipped applicant for full-time work after graduation day. And the company has created an exponent of good will for itself and the office vocation.

END

YOUR TAX MONEY

continued from page 33

and ever since has dispensed his energies impartially. He has fought through the years, with varying degrees of success, for more marines and soldiers; more planes; and, always, more ships.

"But that doesn't mean," Mr. Vinson once sharply reminded his military subjects, "that just because the (military) departments say this, that and the other, that I have to swallow it hook, line and sinker, without carefully considering it."

Actually it is not so much that he does the generals' bidding as that they do his. "We have to hold their feet to the fire," is the way Mr. Vinson likes to explain it. And woe betide the flag officer or civilian secretary who through ignorance, pomposity, or lack of candor incurs Mr. Vinson's displeasure.

"Admuhl," he has been known to inquire, interrupting testimony of some salt-encrusted hero known to most of the world, "what did you say your name was?"

Last spring when President Eisenhower had ordered manpower cuts in the Army and Navy and had scaled down a proposed increase in the Marine Corps, Democrats led by Rep. Daniel J. Flood of Pennsylvania cried that this opened the door to disaster. Mr. Flood, from the vantage point of his membership on the appropriations committee, offered a \$413,000,000 series of amendments to halt cuts in the Army and Navy and build the Marine Corps to a goal 22,000 men higher than contemplated by the President.

The drive was rolling well, and things looked especially rosy for the marines, always a congressional favorite and the object of never flagging love and affection on the part of Uncle Carl Vinson. But this time Mr. Vinson held back. He called the Joint Chiefs of Staff for official testimony; then he called them into his lair for their private opinions. He concluded that President Eisenhower, who was not a new hand at these matters, knew what he was doing.

With Mr. Vinson's support, the budget-boosting drive would have been virtually assured of success. Even if he had kept quiet the Democrats had a pretty good chance. But Mr. Vinson ambled into the well of the House and said (or so it was recorded by the official reporters, who understand every vernacular and translate them all roughly the same): "I've been here a long time. I've fought year in and year out for increased appropriations for the Army,

Navy and Air Force. But the facts in this case do not in my opinion warrant support of the amendment. I urge that it be defeated."

After that, the voice vote against Mr. Flood was so loud he didn't bother to ask for a count. It took some of his fellow Democrats quite a spell to forgive Uncle Carl, and a few of them still grumble at the way he shot the horse out from under them.

The average Capitol tourist, observing Mr. Vinson's baggy, comfortable progress through the subway, probably passes him off as a bumpkin. If he hears Mr. Vinson talk he no doubt adds "southern" to bumpkin. But those lucky enough to see the congressman in action (there has been talk for years of selling tickets to his hearings) know that here is a man to reckon with.

He runs his committee with a fierce search for the facts and a firm

as much of what went on as he thinks can be told; frequently this is far more than the censorship-minded Pentagon had planned to disclose. Mr. Vinson's standing order, frequently refreshed in the members' memories, is, approximately, that beyond the official announcement, "nobody says nothing to nobody."

After one especially hush-hush session in 1951 a wire service broke the story that the Air Force had told the committee it then had ready to go, after ten years of preliminary work and production, only 87 B-36 bombers. The dispatch quoted unnamed members as terming this a shocking disclosure.

Mr. Vinson hit the ceiling. He said security had been dangerously breached. He announced his intention to find the source of the leak, and intimated he might have the offender fired from the Armed Serv-



Not many have exercised greater influence on government spending and taxes than Representative Vinson, left. At right is Adm. Radford

leadership that sometimes has earned him the whispered title of dictator. "Congress," he says, "has a right to know." And by that he means know just about everything. The people, too, have a right to know, Mr. Vinson believes, though he does not always agree with capital newsmen as to just how far this right can be carried.

He takes the view generally that nothing should be held back except where the knowledge might benefit the people less than an enemy. With the mounting world tensions of recent years, the committee more and more has met in closed session for security reasons. After such a closed session Mr. Vinson announces

ices Committee. He talked about subpoenaing the offending reporter and forcing him under oath to say where he got the story.

Dissuaded from this, on the grounds it wouldn't work, he summoned the committee to a closed-door session at which he demanded bluntly from each member in turn an account of his recent conversations with the newsmen involved. All denied the offense, of course, and the matter finally was dropped. For months thereafter, and to some extent still, members were reluctant to talk to reporters, or at any rate to be seen talking to them.

Members have chafed, but seldom rebelled, at Mr. Vinson's stern con-

duct of the committee's affairs. Mr. Vinson plowed under one incipient rebellion by blandly explaining that he always came in and told the members just as soon as a decision was made. An irrepressible young New York member named Gary Clemente once earned an undying name for himself in protesting, publicly, at his inability to get into the act. The name he earned, however, was variously "McClinty," "McClementy," "McClintock," etc., as Mr. Vinson almost daily thereafter applied his time-tested whip.

Aside from his convenient memory, Mr. Vinson has trouble anyway with unfamiliar or Yankee-style names. Before Indochina got to be as well known as, say, Milledgeville, Ga., he tended to call it "Indigo-China." A committee staff member named Kelleher has decided he might just as well change his name; Vinson for years has addressed him as "Keller" and sometimes even writes it that way.

Most committee members have learned, however, that Mr. Vinson's bark is worse than his bite. Upper-classmen and graduates of "Vinson College" almost uniformly hold him in great affection, though some of the freshmen and sophomores grumble at his straight-to-the-point approach that sometimes seems just plain curt.

In the rough-and-tumble of house debate Mr. Vinson is quick to defend his committee members and, though a Democrat to the core, he passes out his many available favors without regard to party. He is always ready to bail out a friend, even to the extent sometimes of helping locate a camp or defense plant in his district. As for his own Sixth District of Georgia, it can hardly be said to have suffered for a lack of such projects. It was not that Mr. Vinson pressed defense officials to locate them there; they simply have unusually acute vision in such matters and generally have found it easy to see that middle Georgia was the best possible place to put them.

Mr. Vinson is a 72-year-old, vigorous, wispy-haired, blue-eyed rustic type who, fortunately, has a generously proportioned nose ideally suited to providing a perch for the shell-rimmed glasses which he practically always peers over rather than through. His Dixie dialect has survived in purest form through all the long years in Washington, double negatives and all. Some of the dapper, dandy martini drinkers who seem to loom so large on the Washington scene are inclined to view him, at best, as quaint. It is true he is one of Congress' few genuine characters, but an honest, percep-



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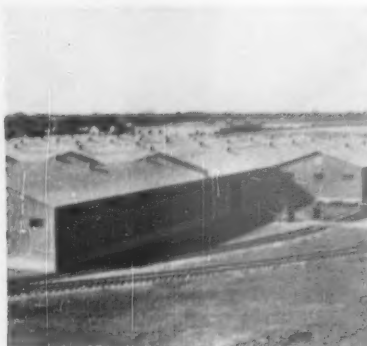
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continued

tive, sometimes slyly devious character, and on his own ground so well informed that the Pentagon double-talk set long ago quit trying to fool him.

What the Pentagon does try to do is maintain on Capitol Hill some southern-born officer, with vast discretion, whose availability in, around or just outside Mr. Vinson's office can insure at least that everybody understands everybody. For a long time the head liaison man just happened to be an admiral from Georgia.

"Get me the Admuhl!" Mr. Vinson would shout at his secretary. The admiral would arrive at a trot and, after a short conversation, depart on the run. With a final "Yes, suh, Mistuh Vinson" he was off, usually to get done in a hurry what Uncle Carl wanted.

The generals and admirals regard Mr. Vinson with a mixture, in about equal parts, of love, fear, and profound respect. They know in their hearts he is about their best friend on Capitol Hill. They also know they had better not try to by-pass or mislead him. They approach his office—always careful to sit well outside the rather broad target area of the spittoon—with pride, pleasure, and a little trepidation.

They sweat on his committee hot seat as he puts them through their paces like small, well intentioned but slightly delinquent boys. Men to whom nobody has said anything but "yes, sir" in the past 20 years manage somehow to get through their "yes, sirs" to Mr. Vinson.

The 37-man Armed Services Committee, with some justification, always has been about the junketing-est committee in Congress. At the close of the recent session Mr. Vinson told members: "Now, if they's anybody here that wants to go anywhere during the recess, just see Bob Smart (chief counsel) and he'll fix up the trip." Soon members were all over the world.

Mr. Vinson himself climbed into a berth on a train (he doesn't take to such modern innovations as bedrooms) and went straight to Georgia. There he sat, alone, rocking on the porch of his farmhouse outside Milledgeville, reading (mostly biographies, military history, and magazines) or ambling contentedly with a hound dog over his 675 acres, speaking to the cattle and looking for bad spots in the fence.

He never has gone anywhere else, to speak of. He did visit the Caribbean area and Panama shortly after coming to Congress, but the trip was,

as far as the record shows, his last, and it was so long ago he appears to have forgotten it himself. Recently he has been heard to say that he has "never been out of the country." He made the west coast at least once to inspect a Navy yard and there are rumors he once went to New York. But he long ago cut out even this kind of domestic junketing.

Until about 1949 Mr. Vinson had never been up in a plane, and the Air Force talked him into it then only on the grounds it had a big Constellation flying to Georgia anyway, with such people aboard as W. Stuart Symington, then Air Force Secretary, and the late Gen. Hoyt Vandenberg.

Mr. Vinson, convinced initially that a flight under these circumstances would be reasonably safe, changed his mind almost as soon as the plane was airborne. It encountered what the Air Force called "mild turbulence" but what Mr. Vinson took to be mighty rough going. He belted himself tight into the seat, got a death grip on both arms, and held on grimly most of the way from Washington to Macon. The Air Force, at that time feuding with the Navy and more than usually eager for Mr. Vinson's favor, was congratulating itself on its coup until Mr. Vinson, upon alighting, announced that the flight was his last.

Mr. Vinson is not above changing his mind, however. Except for matters of firm principle—like the need for a strong defense, the evils of liquor, and the desirability of leaving the office each day not later than 4 p. m.—he can and frequently does reverse himself. So it was that this past September Mr. Vinson weakened again, possibly to put to the test reports that aviation had made great strides in the intervening six years.

This time it was Defense Secretary Wilson who lured him into the air. Mr. Wilson was in Macon, the main city in Uncle Carl's district, for the announced purpose of inspecting a naval ordnance plant installed there at the start of World War II and somehow never there-after closed. Mr. Vinson showed Secretary Wilson around, explaining why the plant was vital to the national security, the welfare of Bibb County, etc., and how an outlay of about \$3,800,000 was needed to keep up the property and safeguard the government's investment.

It developed that this, and other talk, took longer than planned. Late in the day Mr. Vinson saw he wasn't going to make it to Athens, Ga., 80 miles away, in time to catch the train on which he had an overnight reservation to Washington. Secre-

tary Wilson pointed out that his plush Air Force Convair was waiting at the airport to return him to the capital. It would get there, he noted, before Mr. Vinson's train could get up headway out of Athens. With some misgivings Mr. Vinson climbed aboard.

"I took one look out the window," he reported later, "and couldn't see nothin' but clouds. I turned my head straight to the front and never looked out again." Three days later he had to go back to Georgia. He went by train.

Although devoting his life to the military, Mr. Vinson has never worn a U. S. uniform. He was born Nov. 18, 1883, graduated from Georgia Military College at Milledgeville, and studied law at Mercer University, Macon. Admitted to the bar soon after his graduation at age 18, he became in quick succession Baldwin County Prosecuting Attorney, delegate to the legislature, Baldwin County Judge, and then a member of Congress.

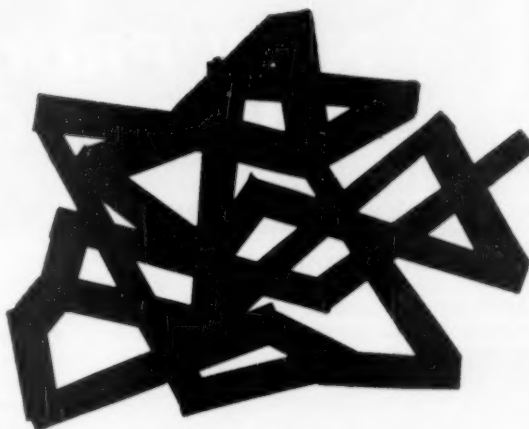
He married Miss Mary Greene of New Philadelphia, O., on April 6, 1921. They had no children. She became an invalid and Mr. Vinson hurried home from the Capitol each afternoon (he gets to the office at 7 and usually is done with his work by 3, when other members are just getting started) to sit by her side. He ignored the Washington social whirl, turning down all invitations including those to the White House.

Even since Mrs. Vinson's death in 1950, Mr. Vinson has shunned the cocktail circuit. However, he is seen out now and then after dark and once was unofficially reported wearing white tie and tails.

Mr. Vinson is outranked in the House by only one man, Speaker Sam Rayburn, and the two, while not cronies, hold each other in fond esteem and great respect. When the House voted recently to build itself a third office building, at a cost of about \$23,000,000, Mr. Rayburn named Mr. Vinson to the three-man supervisory committee, along with himself and Rep. James C. Auchincloss of New Jersey.

It will be several years before the new building is finished, but nobody doubts that Mr. Vinson will still be around to use it. Although he has talked about retiring for years, he obviously does not mean it.

This year, with some prodding from Mr. Vinson and other old-timers, Congress handed itself a pay raise, from \$15,000 to \$22,500 per year. When the law was signed Mr. Vinson commented, "Well, if they are going to pay that kind of money in Congress, I think I'll make a career out of it."—FRANK ELEAZER



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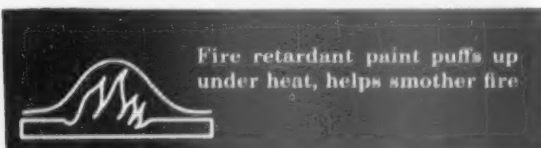
NEW PRODUCTS KEEP PAINT BOOM ROLLING

NEW WONDER paints—born of modern chemistry and keen competition—are sparking a record year for the paint industry.

The National Paint, Varnish and Lacquer Association predicts that sales of protective coatings will reach \$1,500,000,000 in 1955, a tidy \$100,000,000 more than the previous top year, 1953.

In 1933, annual sales of \$279,000,000 placed the paint trade 158th among U. S. industries. Today it ranks 28th and is counting on a stream of vastly improved products to carry it a notch or two higher.

"More improvements have been made in paint dur-



ing the past five years than during the previous 50," says a research director for W. P. Fuller and Company, "and we're just getting started."

Thirty years ago the manufacture of paint and varnish was an individualistic art carried on with crude formulas handed down through the centuries.

By contrast, today's paints are knowingly put together by a new generation of chemically trained formulators who chat matter-of-factly about acrylics, epoxy resins, polyvinyl acetates and butadiene-styrene. All are synthetics responsible for the superior quality of today's paints.

"We're not in the paint business any more," states Edward Schulte, research and technical director of Glidden's protective coatings division, "we're in the chemical conversion business."

The industry is widely dispersed. There are about 1,400 paint makers in the U. S., most of them small. Some specialize in finishes used by industry, others in decorative paints for the household trade. Most firms make both.

The industry employs about 70,000 workers.

To stay alive in the highly competitive paint business, the manufacturer of industrial finishes (which account for 40 per cent of annual gallonage) must tailor his product to the specialized needs of individual customers.

To succeed in the non-industrial field, he must woo the growing army of do-it-yourselfers. Total paint sales to homeowners this year are expected to reach \$775,000,000, more than half of the industry's gross.

A recent survey conducted by the National Paint, Varnish and Lacquer Association revealed that amateurs now do 71 per cent of all indoor painting on homes and 47 per cent of all outside home work. The survey found, too, that a third of this interior painting is done by women and that they have more to say

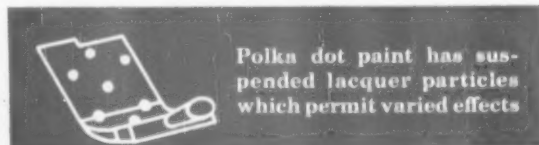
about what brand of paint is purchased than do their husbands. On the other hand, men buy and apply most of the exterior paint.

To make things easier for the week-end painter, the industry has popularized the paint roller (more than 8,000,000 were sold last year) and encouraged dealers to become walking encyclopedias on how to get the products they sell on the wall. For small jobs, paint is packed into increasingly popular aerosol spray cans, more than 9,000,000 of which were sold in 1954.

Since color-conscious women buy much of the paint sold today, color selections have been increased to two-and-a-half times prewar. To keep from bankrupting retailers with mountainous inventories, many companies now have color systems utilizing small tubes of highly-concentrated pigment which can be mixed on order with white or neutral colored paints. One mixing machine now being installed by retailers can deliver from one quart to five gallons of any one of 2,000 shades of gloss, flat, or primer paint—all at the push of a button.

When the do-it-yourself movement first burst on the horizon after World War II, the nation's 445,000 professional painters (whose work amounts to a \$2,500,000,000 industry in itself) were visibly and vocally alarmed. Now, according to William Gelfan, president of the Painting and Decorating Contractors of America, his members feel the craze has actually helped business by bringing the subject of painting and sprucing up the home to people's attention. Also, many amateurs get started on a job, botch it up, then call in professional help.

Favored by professional painters are the new alkyd paints. Made from synthetics, alkyds have all the old-fashioned virtues of paints made with natural oils, but they dry faster and are highly washable and durable. More and more amateurs, however, are swinging to the easy-to-use latex paints, whose sales have soared since their introduction by Glidden in 1948. One big advantage: Latex paint can be washed from brush, roller, hands or woodwork with plain water. Sales of latex wall paint amounted to about 25 per cent of the market last year, a healthy seven per cent of the industry's total dollar volume.



Although there is considerable loyalty to alkyd and oil-based paints, many paint men believe that the future lies with water-thinned paints. Water-thinned house paints for use on masonry are now available as are water-thinned gloss enamels.

Water-thinned paints are also certain to be adopted

widely for industrial use. Some call for baking after application, others have built-in catalysts which help the paint bake itself.

A dream of the industry for centuries has been to find the one perfect paint for all purposes. Ironically, as chemists have learned more and more about paint, the trend instead has been to an increasing number of highly specialized coatings. Here are some examples:

Fire Retardant Paint. Widely used to protect factory installations and ocean-going vessels, these amazing coatings puff up under heat to provide a layer of insulation and help smother flames.

Nondripping paint. So thick it stands by itself like a chunk of canned cranberry sauce, this thixotropic paint flows on easily after its built-in jell is broken by brush or roller. It needs no stirring, won't settle in its container, and won't drip down your arm while you are tackling the living room ceiling.

Odorless Paint. Made with odorless thinners, these paints have solved all kinds of problems for hospitals, dairies, breweries, packing plants, and other places where paint odors can't be tolerated.

Temperature-Indicating Paint. Called Thermocolors, these amazing paints actually change color after reaching certain temperatures between 40 degrees C. and 1,000 degrees C. They are used for measuring temperature of cutting tools during service, observing diffusion of heat during welding, and on aircraft parts which cannot be inspected during flight.

Anti-Fouling Paint. For many years ships have been protected from barnacles and other marine growth by paint containing built-in fungicides. A plastic-type anti-fouling paint is now being used by the Navy with excellent results.

Polka Dot Paint. No practical joke, this watery suspension of multicolored lacquery particles makes possible a rainbow variety of pleasantly stippled and dappled effects. It has been applied with a spray gun to hundreds of new Levittown homes and on commercial establishments.



Dripless paint stands by itself, needs no stirring

Aircraft Paint. Toughest paints being used today are in the aircraft industry. These incredible coatings must adhere to aluminum, magnesium, titanium and steel, weigh less than 12 pounds per 1,000 square feet, be impervious to high test fuels and hydraulic fluids, resist rain erosion and vibration, and withstand temperatures up to 600 degrees F.

Incidentally, paint literally holds together such planes as Consolidated's B-36 and Boeing's B-47, both of whose exterior skin surfaces are largely held together by adhesives instead of rivets. Without a special primer and insulator applied before the adhesive, the glued surfaces would soon come apart from galvanic corrosion set up by contact of dissimilar metals used in modern-day aircraft.

Though the myriad of new paints has boosted sales, it has also posed some knotty problems for both manufacturers and retailers. Foremost among these are:

1. Bulky Inventories. Manufacturers complain that dealers fail to use modern merchandising methods, are slow to move out obsolescent paints by marking them down drastically. Retailers reply that manufacturers sometimes oversell their new products in

newspaper and magazine advertising, leaving them out on a limb with old paint stocks.

2. Retailer Confusion. The man or woman out to buy a can of paint goes where someone can give him expert advice on how to apply it. Yet paints have changed so fast retailers are often as confused as the public. To remedy this, many companies now offer night classes and correspondence courses to keep dealers abreast of new developments.

3. Color Problems. Despite the new color systems, the growing spectrum of colors demanded by consumers has ballooned inventories, upped the cost of expensive selling aids like color cards.

4. High Application Costs. Many industry leaders feel consumption would rise considerably if the ratio between paint cost and professional applica-



Temperature-indicating paint changes color, shows heat increase in hard-to-reach places

tion (from three to 12 times the cost of the paint) could be reduced.

5. Time Payments Needed. The vast majority of do-it-yourselfers admit they undertake big paint jobs, not because they want to, but because they can't afford to lay out several hundred dollars in a lump sum for a professional job. Only a few contractors now offer instalment financing.

What does the future hold for paint? Paint men foresee these developments:

1. House paints that won't peel, won't trap bugs, won't stain from rusty nails or screens, and can be applied in damp weather.

2. Automobile enamels that won't hold dust or dirt, saving time and money for the car owner.

3. Improved fire-retardant paints for homes, apartment houses and hotels.

4. Strippable coatings for protection and decontamination of surfaces exposed to radioactivity, either from industrial or military operations.

5. Better rust-inhibitive paints that will reduce industry's annual \$6,000,000,000 corrosion bill.

6. Increased use of electrostatic spraying and hot spraying in industry. In electrostatic spraying, paint is given a positive electrical charge. When the object to be painted passes by (it has a negative charge), the paint literally flies to it, like metal to a magnet. In hot spraying the paint is applied at about 120 degrees temperature. This reduces the amount of thinner necessary and permits application of thicker coats.

7. "Air-conditioning" paint, high in insulating and heat-reflecting qualities, will keep buildings cooler, lessen the load on air-conditioning equipment.

8. Better luminous paint using radioactive materials will make outdoor signs effective at night.

9. New paint chemicals that will reduce the disintegrating effect of ultraviolet light (sunlight) on woods coated with clear finishes.

10. Paint that will age slowly and evenly, leaving a surface that can be easily and cheaply repainted.

As paints become increasingly versatile and more cheaply applied, paint manufacturers expect to see the day when paved highways and other large concrete expanses such as airfields and dams will be protected by paint, opening up vast new markets for one of our oldest and most useful manufactured products.

—CHARLES FRANCIS

Nations
food
supply



**2,000,000 farms market
88 per cent of America's
food and fiber supply**

**Only 12 per cent is
produced by remaining
3,300,000 farms,
many so small that farm
income is always low**

areas, compared to 12,000,000 persons in other farming regions.

In the serious problem areas, 37 per cent of farmers are tenants, and 16 per cent sharecroppers.

The average value of farm and buildings is less than \$5,000.

The report made 14 recommendations, with emphasis on action by federal-state agencies to find off-farm jobs for low income farmers, viewing them as a new source of labor supply for industry.

"The approach to this problem is regarded as primarily educational and developmental," the report stated. "Perhaps half of our farm youths will desire full or part time off-farm employment during this present decade. The principal changes in these areas will be made by the young people, many of whom have not yet completed their education."

For the older people on farms, Congress amended the Social Security Act in 1954 to bring all farmers and farm operators under old age insurance. This will affect approximately 3,500,000 farmers and 2,700,000 farm workers.

The report shows: "A farmer upon reaching age 65 will become entitled to a retirement benefit which will range from \$30 to \$108.50 a month." The benefit for a farmer and his wife may be anywhere from \$45 to \$162.80.

Such benefits will compare favorably with the earnings which some families now obtain from farming.

In his policy statement of March 30, 1954, Secretary Benson said:

"Inefficiency should not be subsidized in agriculture or any other segment of our economy. Relief programs should be operated as such—not as an aid to the entire agricultural industry. . . . No agricultural program should be manipulated to serve partisan political purposes."

Farm troubles

Farm prices have drifted downward in the past five years, while the rest of the national economy has

been going up. Costs of what farmers have to buy have gone up.

The parity index (prices received to costs paid out by farmers) dropped from 113 in February, 1951, to 85 in September, 1955. Of that 28 point decline, 19 points occurred under the previous Democratic Administration, the rest under the Republicans.

Per capita income of farmers is only about 50 per cent as high as income of nonfarmers. Farm income, which comprised 10.3 per cent of national income in 1947, and as much as 12 per cent during World War II, is now only about six per cent.

At the same time, farm machinery prices in some lines were advanced about seven per cent this year, and taxes are higher.

The farmer's share of the consumer dollar, which was 52 cents in 1946, now stands at 42 cents. Even here, rising costs in the processing and distribution of food have taken a bigger bite, perhaps depriving the farmer of a bigger market through greater sales at lower prices.

Political scouts report that, in the rural areas, there is resentment of the cost-of-living escalator contracts and guaranteed annual wage plans in the industrial regions, which come back to farmers as higher prices.

Despite all this there is no evidence that there is a real depression on the farm today. Nor is there any indication that the trend in farm prices is likely to lead the nation into an economic collapse.

While the realized net farm income was declining, farm population also was falling off. The decline in farm income on a per capita basis is less than figures showing a drop in total farm income would seem to indicate. Nor does the nationwide statistic of the so-called parity price reflect the difference in profit margins between the efficient and the inefficient producer of the same crops.

The official support price for corn in October was \$1.58 a bushel at 87 per cent of parity. But the free market price had dropped to \$1.40 a

bushel at central markets and cash corn at country points was as low as \$1 a bushel.

While that might cause distress to some inefficient producers, a study by Purdue University estimated the cost of producing corn in Indiana this year for average yield should be about 80 cents a bushel.

Total farm assets at the start of 1955 were \$163,500,000,000—up more than \$2,000,000,000 over the previous year. This includes \$91,000,000,000 in land, \$50,000,000,000 in livestock, machinery, crops and household effects, and \$22,000,000,000 in cash and investments. Equities of farmers and others in farm properties has risen from \$144,200,000,000 to \$145,500,000,000.

Farm debt had gone up, too—around \$900,000,000 between 1954 and 1955. Farmers as a whole are highly solvent.

Their debt today amounts to only 11 per cent of total assets, compared to 19 per cent in 1940, and 21 per cent in 1930.

Net assets of farmers compare favorably with nonfarmers, even when the over-all statistics include many small farmers with limited property holdings. The average equity of farm families in land, buildings, equipment, livestock, household goods, etc., is about \$22,000. The comparable figure for nonfarm families is \$17,000.

Today, the farmer is an investor in other enterprises as never before. Income from off-farm employment, securities, government bonds, savings accounts, and the like make up 30 per cent of total income received by farmers.

If account is taken of these non-farm earnings, farm income from all sources has increased 16 per cent in the past seven years.

Since 1910-14 (original base level used by Congress for determining what the farmer's parity price should be) per capita net farm income has increased 28 per cent, relative to per capita income of nonfarmers.

And the standard of rural living

has improved. About 95 per cent of farms now are served by electricity; 20 years ago it was 11 per cent. Education and health services are better. More farm homes have running water, modern kitchens, and refrigeration.

Roads are better, more telephones are in use, and the former isolation of farm life has been reduced by automobiles, even privately owned airplanes.

One figure, perhaps more than any other, indicates the opinion which farmers hold of their present and their future. That is the value of farm real estate. During the past year, rural real estate values in the U. S. rose five per cent, to equal the all-time peak reached in 1952.

Why the decline in farm prices?

The obvious question is why, in the midst of prosperity, are farm prices not responding? If farming can't be profitable now, when will it ever be?

The reasons include:

- ▶ Too much farm production over too long a time at continued high wartime price supports.
- ▶ A slump in foreign demand, coupled with competition from new farm producing areas overseas, and development of synthetics.
- ▶ The government-owned inventory of surplus farm products which includes \$2,500,000,000 in wheat, \$1,300,000,000 in corn, and more than \$1,000,000,000 in cotton.

The wheat carryover on July 1 was estimated at more than 1,000,000,000 bushels, an all-time high. About 95 per cent of the carryover is government owned. Normal annual needs, for domestic use and export, are around 850,000,000 bushels.

The carryover in cotton stocks almost doubled between 1953 and 1955. It reached 11,000,000 bales this year, and is expected to go up to 13,000,000 by next August. Harvesting this year will bring in almost 14,000,000 bales.

"We see no need for more than 12,000,000," says an Agriculture Department official.

The Commodity Credit Corporation, which is to say the U. S. Government, is the world's biggest cotton owner by far. Last month, CCC was holding 8,000,000 bales of cotton, at a cost of \$80,000,000 a year for storage, handling, interest and other charges. The government owns two thirds of the cotton carryover.

What is the reaction in world markets? Something like this:

A mill owner in England looks at



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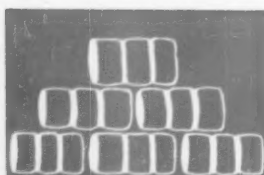
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Why the decline in farm prices?

too much farm
production over
too long a
period



huge inventory of
surplus commodities



slump in
foreign demand

the U. S. supply situation. Regardless of what is said about not dumping American surpluses on the rest of the world, what does the mill owner do? He buys on a hand-to-mouth basis, figuratively a bale at a time. The market goes soft.

How did we get this way?

More than three decades of agricultural policy making in the U. S. have been dominated by the depressed conditions which followed World War I, and by fear of repetition.

During World War II, Congress sought to cushion the shock of any decline in farm prices after the war.

The decline never came. When OPA price controls were removed in 1946, many farm prices advanced rapidly. At home, there was pent-up demand and high purchasing power. Abroad, there was a world shortage of food, caused by war and poor harvests in Europe in 1947.

Full effect of mandatory high-level price supports began to show up with the bumper corn and wheat crops of 1948. CCC started accumulating large stocks of basic commodities, plus potatoes, eggs, dairy products, flaxseed. Congress in 1948 adopted the principle of flexible price supports to adjust production downward in line with demand, but it deferred lowering the price support level until the 1950 crop year.

With the outbreak of the Korean War in 1950, Congress again deferred lowering price supports. First application of the flexible support principle started this year, under the Agricultural Act of 1954.

Meanwhile production controls—acreage allotments to curtail production, marketing quotas to enforce compliance—which had been in effect up to World War II were dropped during the emergency and

were not restored during the crop years of 1947, 1948, and 1949.

The dual effect of high wartime price supports and no controls on crop acreage was to stimulate production and more production.

In 1949, President Truman's Secretary of Agriculture, Charles F. Brannan, called for crop controls in 1950. With the outbreak of the Korean War, he took them off again for the 1951, 1952, and 1953 crop years.

Here's what happened to major farm commodities:

Wheat: Under production controls in 1950, 71,000,000 acres were seeded. With controls lifted, acreage rose to 79,000,000 in 1953. Production was 1,019,000,000 bushels in 1950, 1,169,000,000 in 1953.

Cotton: Under controls in 1950, acres planted to cotton were 18,600,000. They reached 25,200,000 in 1953. Production increased from 10,000,000 bales in 1950, to 16,500,000 bales in 1953.

Secretary Benson has imposed acreage allotments and marketing quotas on basic crops for 1954, 1955 and 1956. The wheat acreage for 1955 and 1956 was cut to 55,000,000.

But controls available under present law control only the land planted. They do not affect irrigation, fertilizer, labor or type of seeds.

Agricultural research coupled with mechanization has brought amazing advances in the efficiency of farm production in recent years.

Farmers this year are producing two per cent more cotton than 1954, despite a 14 per cent cut in acreage. During World War II, cotton was averaging around 250 pounds per harvested acre. This year the yield will be 405 pounds per acre. Tobacco for the past ten years was averaging 1,213 pounds an acre. The 1955 crop came in at 1,518 per acre.

Nor does the price support structure as it has developed through the years recognize the main sources of farm income. The law defines six crops as basic to agriculture—cotton, wheat, corn, tobacco, rice and peanuts.

Marketing records show that only 25 per cent of the total U. S. cash farm receipts are derived from these crops. The income from these basic commodities is concentrated in 14 states, including Kansas, North Dakota, Montana, Texas, Oklahoma, Arizona, and the South.

A majority of farmers get more than half of their cash farm receipts from commodities on which no government support price is provided.

The government has learned, too, that it is difficult—if not impossible—to cut down on the acreage planted to one crop without controlling all the rest.

For instance, between 1953 and 1955, wheat acreage was reduced by 24,000,000 acres, and cotton went down 8,000,000 acres.

At the same time, farmers planted 4,000,000 more acres to oats, 6,000,000 more to barley, 7,000,000 more to sorghum grains, and 4,000,000 more to soybeans.

"One set of government controls applied at the farm begets another, and another," said an Agriculture Department official. "Without any intention of getting into a communist or a socialist set-up, you do. There is no way to get around it."

Cost of farm programs

The Eisenhower Administration, one year after taking office, issued the first complete cost analysis ever given to the public on what various

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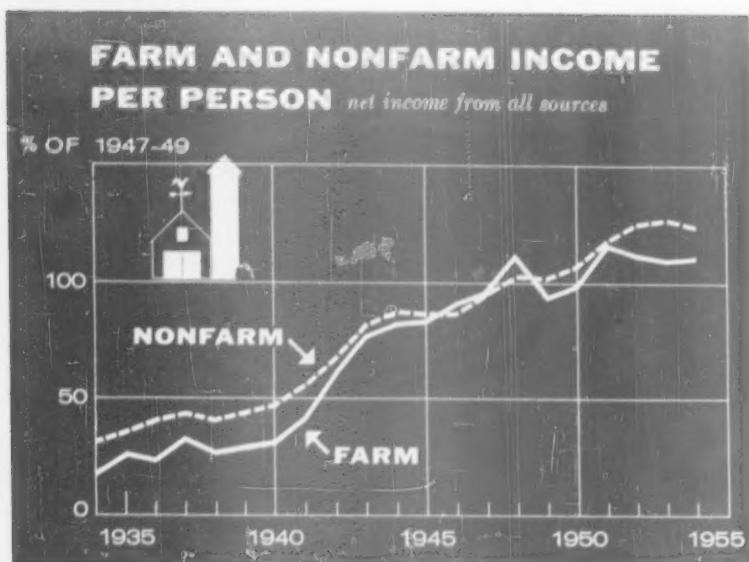
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farm programs have cost American taxpayers since the 1932 fiscal year.

That study, brought up to date to include expenditures through the 1955 fiscal period which ended June 30, shows:

The net cost of all agricultural and related programs during the past 24 years is approximately \$20,000,000,000.

Losses on programs primarily for support of farm prices and farm income are about \$9,500,000,000.

The net cost of price support in the past fiscal year alone was \$1,300,000,000, including a loss of \$799,000,000 by the Commodity Credit Corporation on crop loans, purchases, and payments to farmers.

More losses are yet to come. CCC has in government inventory or under price support approximately \$7,500,000,000 in commodities, most of which are surplus to any foreseeable domestic or export needs. The figure is expected to rise to about \$10,000,000,000 in commodities by early next spring. Losses will have to be written off later by Congress, when the government unloads more wheat, cotton, dairy products, at cut-rate prices.

CCC has an open-end drawing account at the U. S. Treasury up to \$12,000,000,000, and expects to have \$11,000,000,000 or more in use before the end of this fiscal year.

The agency is supposed to hold a floor under farm income at the price support level prescribed by Congress, through direct payments to farmers, purchases and purchase agreements, and nonrecourse crop loans.

A farmer takes a CCC-guaranteed nonrecourse loan on his corn, cotton,

or wheat at the specified support price. If the market price goes above the support price, the farmer withdraws his crop from storage, sells it, pays off the government, and pockets the profit.

If the market price goes below the support level, the farmer forfeits his loan, keeps the money CCC has advanced to him, and the government takes possession of the corn, cotton, or wheat.

In recent years, the government has undertaken price support programs for 21 agricultural commodities, ranging from the basic field crops down through tung nuts and honey, which all told represent approximately 45 per cent of cash marketing receipts to U. S. farmers.

Percentages of total crops which were placed under government price support in 1953 were: upland cotton 41 per cent, wheat 47, corn 10, peanuts 29, tobacco 12. The percentages were higher in 1954.

Uncle Sam has become a state trader in world commodity markets through CCC. Virtually all wheat, tobacco and rice sold for export moves through CCC. Now the government is becoming a world trader in low-grade cotton.

The borrowing authority of CCC for farm support operation has been increased seven times since it was granted \$500,000,000 by Congress in 1938.

During World War II, its maximum lending-spending authority was \$4,700,000,000. This was hiked to nearly \$7,000,000,000 in 1950. Since the Eisenhower Administration took office in 1953, CCC borrowing authority has been raised three times. It is almost double what it was when the G.O.P. came to power.

It is virtually impossible for federal budget planners to tell in advance what CCC losses for farm price support operations may amount to in any fiscal period. Here are losses incurred in the past three fiscal years: \$61,100,000 in 1953, \$419,500,000 in 1954, \$799,000,000 in 1955.

Unexpectedly high losses during 1954 set the Eisenhower Administration's first budget for a full fiscal year back by approximately \$500,000,000 more than had been previously estimated.

Among losses sustained last year in a drive to dispose of surplus agricultural commodities overseas were: \$200,000,000 in a giveaway of wheat, dairy products, coarse grains, etc., to Pakistan and other friendly nations.

\$102,000,000 for selling wheat abroad under the International Wheat Agreement at a subsidized export price below what the government paid for the wheat at U. S. support prices.

Three government price support and disposal programs on perishable farm commodities have been especially controversial since the war.

It cost taxpayers almost \$700,000,000 for the Agriculture Department to buy surplus Irish potatoes and eggs under mandatory high price supports from 1947 to 1951.

The potatoes were fed to hogs, distilled into alcohol, dyed purple and burned, or left to rot in the fields. The eggs were stored in a cave in Kansas. What didn't go to waste were fed into the school lunch program, given away overseas, or disposed of through relief agencies.

Pressure from taxpayers and consumers prompted Congress to drop potatoes and eggs from the mandatory price support list in 1951.

Beginning in 1952, under 90 per cent price supports, the government accumulated by 1954 approximately \$700,000,000 worth of butter, cheese and dried milk.

Secretary Benson cut price support to 75 per cent of parity, lowest possible under the law. Milk production leveled off, retail prices dropped, people started using more dairy products. The government surplus has been cut in half.

But it will cost taxpayers an estimated \$900,000,000 over a three-year period, 1954-56, for the dairy disposal program.

Secretary Benson said on May 27 that storage alone on the government-owned farm surplus is costing \$1,000,000 a day.

Outside of commercial elevators and CCC-owned bins, nearly 100,000,000 bushels of surplus wheat are stored in 317 Maritime Commission

vessels of the mothball fleet in New York harbor and along the Virginia coast.

Party positions

What are the positions of the two major parties on farm legislation?

It is premature to speculate on what specific planks may be included in the 1956 platforms. But here is what the record shows to date:

Republicans

President Eisenhower gave his views on farm policy at Kasson, Minn., at the outset of the 1952 campaign. He said that the farmers' "fair full share of the national income" should be "not merely 90 per cent of parity" but "full parity in the market place."

Later the same day, Sept. 6, at Rochester, Minn., the G.O.P. nominee said he aimed at full parity but that he was not urging a fixed law to insure it.

He called the Brannan Plan, advocated by the Truman Administration, a political monstrosity.

In a general policy statement on March 30, 1954, Agriculture Secretary Benson said:

"Our agricultural policy should aim to obtain in the market place full parity prices of farm products and parity incomes for farm people so that farmers will have freedom to operate efficiently and to adjust their production to changing consumer demands in an expanding economy.

"This objective cannot be served by government programs alone. It can be achieved only with a steady level of prices, high employment and production, and rising output per worker in our total national economy."

In his State of the Union Message on Jan. 11, 1954, President Eisenhower called on Congress to enact a flexible farm program, which would enable the Administration to lower price supports to discourage continued overproduction.

The President also asked, in his Economic Message of Jan. 28, for a special study to suggest ways of ending what he called rural poverty by raising the "very low incomes of some 1,500,000 to 2,500,000 American farm families."

In the summer of 1954, Congress enacted substantially the kind of a flexible farm program urged by President Eisenhower and Secretary Benson. It was approved by bipartisan majorities in both houses.

This measure provided for a gradual reduction in the price support level of farm commodities starting in the 1955 crop year.

The intended policy of the Admin-

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55 per cent of cash farm receipts come from meat animals, dairy products and poultry. They affect most directly the consumer price index



Stability of feed prices at reasonable levels is a big element in their cost of production

istration has been one of gradualism: Reduce support prices gently, to discourage overproduction. Work off accumulated surpluses of farm commodities in time, without causing any sharp market breaks. Then let the free market demand—with high production and full employment—buoy up farm prices.

The 1954 Act affects five field crops described by law as basic commodities—wheat, cotton, corn, rice, and peanuts. Altogether, they provide approximately 20 per cent of all cash farm income in the U. S.

Under the Act as applied by Secretary Benson:

Cotton and peanuts have remained at 90 per cent of parity in the 1955 crop year, the same as before. Tobacco, under special legislation, also has remained at 90 per cent.

Wheat support level was reduced to 82½ per cent this year, and will go down to 76 in 1956.

The present corn support level is 87; rice is 86.

The 1954 law includes the same basic machinery for lowering farm production and price support to peacetime levels, following the all-out production period of World War II, that was in the 1948 Hope-Aiken bill, and the 1949 Anderson Act approved by a Democratic-controlled Congress.

On Oct. 24, the government ordered a pork-buying program to halt falling hog prices. Secretary Benson said he would spend up to \$85,000,000 to divert 170,000,000 pounds of dressed pork and 30,000,000 pounds of lard from the free market. He said the government would buy only what could be used for current consumption through the school lunch program and various relief agencies.

Meanwhile, the Agriculture Department is considering several new devices which might be added to the farm program. Among them are:

Rented acres—The government would pay farmers to take a certain number of acres out of production of surplus, price-supported crops, such as corn, cotton, wheat, rice, peanuts, and feed grains, and turn the acreage into grass.

For the "rental" of his idle acres, the farmer would get a fee from the government to help compensate him for a loss of income.

Among objections raised to the plan are that the rental would not be enough to offset the net profit of \$30 or \$40 an acre a farmer might expect from price-supported crops, and that it would amount to another subsidy program for agriculture of perhaps \$500,000,000 annually.

Compensatory Payments: This sounds remarkably like the old Brannan Plan. Farmers would be given direct payments from the government to compensate for their loss of income, while production is being rolled back and prices are falling.

A great number of party leaders take the view that the Administration should stand fast with its present flexible price-support program, at least until it has had a chance to work without surpluses accumulated in the past.

That time may not be far off, they say. Farm production is nearly in line with current demand, in most commodities. The government has been stepping up exports of surplus cotton, wheat, tobacco, and disposal of surplus dairy products.

Democrats

The Democratic Party position on the farm price-support issue is uncertain at the moment.

Under the direction of Speaker Sam Rayburn of Texas, the House by a narrow margin of five voted to scuttle the Eisenhower flexible support program, and return to 90 per cent of parity price support for all basic crops (80 per cent on dairy

products) through the 1955-57 crop years.

In the Senate, Democratic leaders including Chairman Allen Ellender of Louisiana deferred action on the House-approved measure to get a better look at how the Eisenhower Administration program might be working by 1956.

Former President Truman adopted the Brannan Plan devised by his former Agriculture Secretary and urged it upon Congress.

Mr. Brannan proposed a program of production payments direct to farmers out of the U.S. Treasury to hike farm income on perishable commodities including fruits, vegetables, meat animals, milk and dairy products, poultry and eggs, which he said "account for roughly 75 per cent of cash farm receipts."

"Let prices go down if they will," he explained. "Then let the government pay farmers a guaranteed annual cash income for producing our food. Thus consumers would get cheaper food, and farmers would get their income anyhow, and everybody would be happy."

Adlai Stevenson, 1952 Democratic nominee and titular head of the party, said on Oct. 7 that the present Republican policy of flexible supports "is not working," but there is a danger that "we will advocate only the things we have advocated before, like price supports at 90 per cent of parity."

"As between price supports on the one hand, and no price supports and no farm aid on the other hand, I am for high price supports," he said.

Two weeks later Mr. Stevenson urged an immediate return to 90 per cent farm price props on basic commodities, plus direct production payments to support prices of some perishables. He also suggested "incentives for the transfer of unneeded grain acreage into conservation uses."—PAUL MARTIN

HENRY FORD II

continued from page 29

of fact, we added to it just last week.

How did you add to it?

We are going to spend \$50,000,000 to expand our research and engineering center. We have some revised plans on our engine plants and other projects are being developed.

Will your total employment increase?

Yes, it should.

What is Ford employment today?

193,000 in the United States.

What will it be when this program is finished?

I don't know the exact number of jobs, but each one of the plants we are building will mean increased employment.

Will much of this money go into automation equipment?

Quite a bit.

What determines how far you can go on automation?

Our manufacturing vice president, Bill Davis, told a congressional committee something about that. He pointed out that we define automation as the automatic handling of parts between progressive production processes. Automation simply takes advantage of better tooling and more efficient production methods and machine tool progress.

We install improved processes of all kinds whenever they justify themselves in lower costs or a better product. But it can't always be done. We can't use automation in assembly plants on the same kind of basis as transfer machines in a manufacturing plant, or some automation in foundries.

Where is your expansion coming?

In the Ford Division it includes a new parts depot in the Twin Cities, and conversion at Kansas City from the B-47 wing job. We are going to two shifts in Dearborn.

In the Mercury Division we are planning a new assembly plant at Los Angeles, and an expansion of the Wayne plant.

There is a new Lincoln assembly plant near Novi, Mich.

We have a new glass plant going into Nashville, Tenn., and we are planning rearrangement of our glass plant in Detroit. A new plant is going in here for the new chassis parts division. We are going to build a new automatic transmission plant at Sharonville, Ohio, our second automatic transmission plant in the Cincinnati area.

We are expanding our automatic transmission plant in Livonia, Mich. We are enlarging our stamping plants in Cleveland and Buffalo, re-

arranging the one in Dearborn, and building a new stamping plant in Chicago.

In the engine and foundry division, we have a new engine plant in Lima, Ohio; expansion of Cleveland engine plant 1, rearrangement of Cleveland engine plant 2, and rearrangement in our Dearborn engine plant, and expansion of our foundries here and in Cleveland.

For parts and equipment manufacturing, we have a new hardware plant under construction in Sandusky. We have another new parts plant planned for the Ypsilanti vicinity. We are also in the final year of construction on our new central staff office building in Dearborn.

And we will have still another plant which hasn't been announced as yet.

How will this expansion affect your production capacity?

We will increase our production capacity substantially.

How many cars will Ford produce in 1956?

Our competitors would like to know the answer to that one. We keep as flexible as possible on our scheduling. As a guess, I would say we probably will produce at the 1955 rate for at least the first six months. We will have to see what happens after that.

What's ahead for automobile design and engineering? Will cars be more powerful and larger? Are radical new ideas in the works?

I don't see any immediate possibility of cars much larger than the ones we have today. There's an optimum size for a passenger car and we seem to have reached it as far as the outside dimensions are concerned. The next step is to make better use of the inside space. We may have more powerful engines but if we do it won't be because we think more speed is necessary.

Do you have plans for a small car?

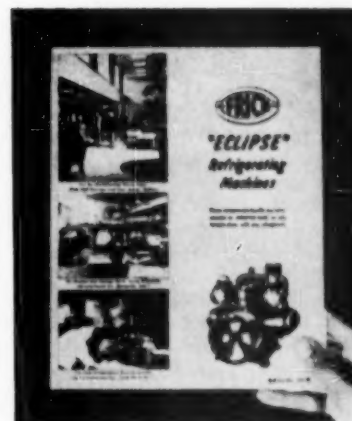
We have continued to study this subject, but the evidence seems to indicate that the full-size cars we have now are what the public wants.

Do you see any prospect for lower car prices?

Not in the immediate future. We are chipping away at costs, of course, but we are also using the savings to make the cars better and more appealing. Our customers are getting more car per dollar today than ever before.

How are the dealers doing?

Our dealers are doing very well. We have few dealers in a loss position, a little more than one per cent in the Ford Division, and a little higher than that in the Lincoln and

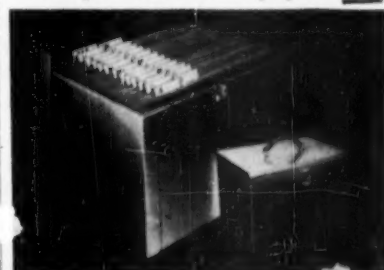


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HENRY FORD II

continued

Mercury Divisions. Profits of Ford dealers for August and September this year were 52 per cent higher than in the same months last year. And Lincoln-Mercury dealers this year made about two and one half times the average profit for August and September of 1954. The profits are the highest obtained by both lines of dealers since the beginning of the buyer's market.

Is this higher plateau on automobile production here to stay?

We seem to have a higher production base for a number of reasons. There are many more two-car families. The population increase is going to mean more families and individuals who want to buy cars. Now where you want to set that plateau, I don't know. We figure our business on the basis of standard volume which is an average annual volume projected over a given number of years. We have gradually increased our standard volume estimates over the past two or three years.

What is standard volume today?

One of our people made a guess of 60,000,000 passenger cars over the next ten years—that's a standard volume of 6,000,000 a year, which sounds reasonable when you average out the peaks and valleys that occur in any ten-year period.

Will you build more parts your-

selves in this expansion program?

Yes, sure.

Will that replace present outside supplies or supplement them?

In some cases it will replace them, in some cases it will supplement. The manufacturing divisions study this all the time. In cases where we think we can do a better job by making parts ourselves, we don't hesitate to try it. In cases where we want to be backed up by an outside source, we may handle only a portion of the job ourselves. Each case is different.

How about exports?

I don't think we can ever look for any tremendous change in the export picture. I am sure that over the long pull, export of U. S. products is on the downgrade. People abroad just don't have the dollars to buy American products now, and I don't see much hope of their having enough in the future to buy automobiles, for example. Cars can be obtained fairly easily from England, France or Germany, and some other countries as well. Generally speaking, I think that automobile exports of those countries will rise relative to ours.

Is that why you have been expanding your facilities overseas?

That is right. We have some expansions going on now in Germany and England. Of course, we merged our French manufacturing company with Simca last year. We retain a small interest in Simca.

You were alternate delegate to the United Nations. What is your

thinking on the changed attitude of the Russians?

I don't think it means anything. I just know what I read in the papers but my feeling is that they probably figure they needed time. One way to get time is to act pleasant and hope that the other side will relax. **You don't think we should let our guard down?**

I certainly don't. Not at all. You can't trust the Russians who are running Russia at all, in my estimation. They will always come out with a bunch of propositions that sound pretty good but when you analyze them they don't mean an awful lot. It is too bad that we have to spend so much money on national defense but I don't think we have any choice.

They want to take over the world?

I don't think there is any question of it. If they really wanted to do something, they could free up the satellites and let them hold real elections, and they could stop communist infiltration in the countries of the west.

Is Ford doing anything to help solve highway inadequacy?

We are interested in the problem, but this has to be a concerted effort by all industry, particularly the oil, steel, glass and automotive manufacturers. So far there hasn't been much concrete evidence of a feasible program for the whole country. Our hope is that maybe sometime early next year we can get something practical worked out. I don't know whether we can ever all pull together on a matter as complex as this one, but at least we are working on it.

What have you to say about the Ford stock offering?

The idea of selling the stock originated with the trustees of the Foundation who felt that they shouldn't have all their eggs in one basket. The Foundation has programs which extend out over a period of years. So the trustees felt that they wanted to diversify their portfolio.

Do you look with definite optimism on the future?

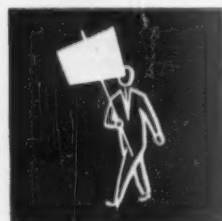
I certainly do. This is a great and strong country. Our whole economic system is built on a sound basis. We have been able to progress and expand because we are free to use our skills, our ingenuity and our imagination to accomplish what other generations thought was impossible. Short of an all-out war, which I don't see, we should be able to move ahead even faster than in the past. The future for our country is good, no matter how you look at it. And the best part about this is that it's good for all of us. Everybody benefits from progress in America. **END**

MR. FORD SAYS

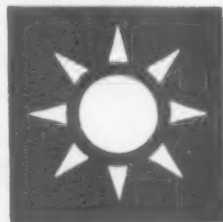
Excise tax reduction would help



Strikes should be held to a minimum



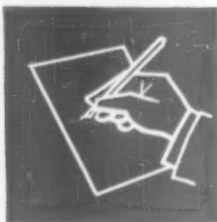
1956 ought to be a good year



Production of autos will be high



Credit is generally well handled



Our advance in future will be even faster



GEORGE MEANY

continued from page 31

homes, if not in actual slum conditions.

We'd like to see the Taft-Hartley law amended to make it completely equitable as between the employer and the worker.

Do you feel that Taft-Hartley favors management?

Definitely, and I am quite sure we will have a number of proposals at the next session of Congress.

Can you say what they will be?

One vital point which we'd like to see corrected is that part of the law which sets up a certain amount of trade union security by allowing the union shop, but at the same time gives a green light to any state that wants to go further in denying any form of union security. We think that this is inequitable. We believe that it just is not good law for the federal government to step in on the basis of the commerce clause in the Constitution, and then sort of farm back to the states the right to go further than the federal authority in restricting union security.

Are AFL organizations active in the states in trying to get right-to-work laws repealed?

Yes, all of our state federations are active in that field. Of course there are a number of instances where we are attempting to get the law repealed, and there are other places where we are trying to prevent the enactment of the so-called right-to-work laws, which in the final analysis are union-busting laws. We don't think there can be any misunderstanding or disagreement as to the real intent of those laws.

Will the AFL urge a still higher minimum wage next year?

I am quite sure that our people are not satisfied with the present minimum wage, even though Congress, in its last session, did bring it up from 75 cents to \$1 an hour, beginning next March. We feel that, if the minimum wage law is really to carry out its original purpose, the figure has got to be more realistic in relation to the general wage level of the country. We still think that a dollar minimum wage is not enough and undoubtedly we will attempt to raise it further.

What was your proposal this year?

Our figure this year was \$1.25, and I imagine that is about where we will be next year.

What about broader coverage?

We are for broader coverage. We feel that there are still millions of

people who should be covered under this law. Most of them are in retail and wholesale trades. Extension of coverage undoubtedly will be one of our big legislative goals next year.

Do you favor lowering the retirement age under social security?

We are supporting the Cooper bill which passed the House and comes up in the Senate next year. This bill would provide social security benefits to women at 62 instead of 65 and grant monthly benefits to workers totally and permanently disabled who are 50 or older.

What about welfare fund legislation?

We have made our position quite clear on welfare fund legislation. It is simply this: We are for any legislation which is necessary to protect the interests of the worker in these funds. Of course we are not going to be fooled by legislation which has for its real purpose the placing of obstacles in the way of obtaining welfare funds for workers by collective bargaining. We published a set of standards for the conduct and administration of welfare funds in which we have indicated the type of legislation we felt we could support.

And what type is that?

Our main approach has been the requirement that all transactions in the welfare fund field should be more or less public property in the sense that there should be an adequate reporting system to the various state agencies. We feel that a good many of the abuses could be eliminated by the requirement that all transactions be more or less public property.

You want public disclosure rather than regulation?

Well, I am not ruling out some regulation. I think that the simplest step, and the one that would perhaps give us the greatest improvement, would be one requiring complete public disclosure of all transactions. I am not saying that there might not be some other moves that could be taken in addition.

Will the new AFL-CIO take any action with respect to union welfare funds?

Under the constitution of the merged federation we expect to have a standing committee authorized to look into the affairs of any international union where there is some evidence of unethical or corrupt practices. I am quite sure that mismanaged welfare funds will come within the purview of that committee.

What will be the chief significance of the merger?

We hope to eliminate the inter-

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all
time



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GEORGE MEANY

continued

union rivalry which we feel has been detrimental to the cause of labor. In addition we feel that in all the normal fields of labor activities such as organizing, legislation, and so forth, we will be able to do a better job through the merged federation than either the AFL or the CIO has been doing separately.

In the field of community relations, in the relations of the trade union movement with the other segments of the people of the country, we also feel that the merged federation can make a much better contribution to the general community welfare.

Do you think the merger will be good for business?

I think the merger will be good for the country as a whole and that, of course, includes business. I don't see any particular threat to the welfare of business in this merger.

What about the charges that there will be a labor monopoly?

The inference of the word monopoly is the gathering together of a few to profit at the expense of the many. Insofar as labor is concerned

we want, through our program, to bring benefits to the great mass of working people in the country, not only those who are members of our unions but all of the working people.

The record over the years shows that, in every activity in which we have been engaged, whatever benefits have come from success have spread to all the people in the country. That is true in the field of labor legislation. It is also true in the field of better wages and better working conditions. Of course, even with the combination of AFL and CIO we still have only approximately 25 per cent of the total working force organized, and certainly 25 per cent does not represent a monopoly.

Whatever power that comes to this merged organization, in my way of thinking, is a power to do good. If we raise the standards of the American worker we are doing something for the country as a whole. If we, by legislation, improve the conditions of the worker on the job, give him more leisure, enable his children to attend school for longer periods of time to get a better education, all of these things are for the good of the country as well as the individual worker. We don't feel that the monopoly idea applies at all in this merger.

How many members will you have?

The total membership of the AFL and CIO upon merging will be approximately 15,000,000.

How many unions will be affiliated?

There will be 109 from the AFL plus 30 from the CIO.

Will any unions not go along with the merger?

I don't know of any.

Will an effort be made to bring in other unions, like the miners and the railroad brotherhoods which are not now in the AFL or CIO?

I am quite sure that when we get through with the major job of merging the two federations we will certainly give consideration to bringing in other groups.

Will some individual unions in the same fields also merge?

Yes, I think that in a number of cases that will happen. The merged federation is on record as favoring such mergers, but under no circumstances are they to be compulsory. They are to be completely on a voluntary basis. Already there are a number of reports of AFL and CIO unions in the same field meeting for the purpose of ironing out their differences.

How will the new organization handle raiding?

The basic principle on which the new organization is founded is respect for the integrity of every other organization.

We also have the AFL-CIO "no-raiding pact" and each of the organizations has an internal disputes plan designed to prevent interunion warfare.

We hope to maintain this sort of voluntary commitment on the part of the unions not to raid each other. However, in the final analysis there is no police power in a voluntary association, and I think the method that is going to be used is persuasion—convincing the people concerned that raiding in the long run doesn't pay.

Will the new organization have any program with regard to left-wing unions in this country?

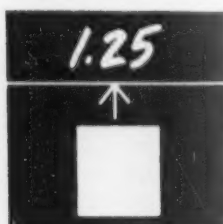
The constitution of the new organization and its aims clearly indicate that the long-term opposition of American labor to communist control in any part of the trade-union field will not only be continued but will be intensified under the new organization.

What is in the new constitution that will provide for that?

There is a declaration which sets forth our opposition to communism, and there also will be a committee which will be charged with investi-

WHAT UNITED LABOR WILL ASK

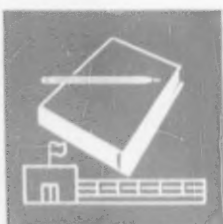
Minimum wage boost to \$1.25



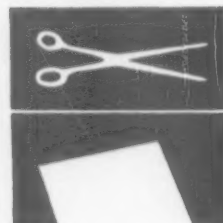
Better share of wealth for labor



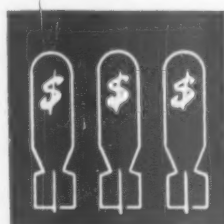
Improved school systems



No tax cut if budget would be unbalanced



No cut in defense spending



Repeal of right to work laws



gating any evidence of communist control in any affiliate.

What is the organization's position with regard to the Communist Control Act passed last year?

We expect the law to be enforced against communist-controlled unions. We are watching very closely the operation of the law and will recommend changes if the activities of legitimate trade unions free of communist control are in any way restricted.

Do you plan to build up a larger treasury?

No. The individual organizations, of course, have obligations to their membership in the way of benefits, funds of various kinds, and the obligation to lay aside enough money to meet a situation which might threaten the very existence of the union. The trade-union center does not have that particular problem because a national trade-union center is not a union of individuals. It is a union of unions, so there is no reason that I can see for the national organization to pile up any great treasury.

What are your assets at this time?

The combined assets of the AFL and the CIO at the moment would be about \$5,000,000.

What will the organizational setup be under the merged federation?

There will be an Executive Council of 29 members made up of the president, secretary-treasurer and 27 vice presidents. The top authority, of course, will be the delegate body convention which will meet every two years. The Executive Council will have charge between conventions and will recommend policies to the convention.

There will also be an Executive Committee of eight members which will meet every other month. The constitution likewise provides for a General Board consisting of the presidents of all affiliated national and international unions, which will hold annual meetings.

Is there going to be a special setup for the CIO?

Definitely not. There will be an Industrial Union Department, according to the merger agreement, and it will be open to all industrial unions whether or not they are at present in the CIO or the AFL. Naturally it is assumed that many of the CIO unions will be in that department. However, that will be just another department of the federation—as we have in building trades, metal trades and others—to coordinate the thinking of those unions in the industrial fields and to bring about a rounded approach to the

common problems of all. But under no circumstances will that be considered a CIO department.

What will be Walter Reuther's role in the new organization?

I imagine he will certainly play a prominent role. He will undoubtedly be a member of the top executive group as well as a vice president.

What kind of political action setup will the new organization have?

That has not been decided. We are going to examine the methods used by both groups and try to come up with something that we feel will be more effective. Naturally we will preserve whatever methods either group has used which we feel are most successful.

Do you have any preferred candidate for President?

No.

Did the AFL endorse one in '52?

Yes, we endorsed Mr. Stevenson.

How are endorsements for senators and congressmen made?

They are made, under the present AFL setup, by the people in the districts affected. In the case of senators they are made by the political arm of the federation on a statewide basis. With respect to congressmen, they are made by the AFL people in each district. If the endorsement of the local people is consistent with the AFL policy of supporting those who are sympathetic to things that we are interested in, then the national political body will give its support.

Do you endorse both Democrats and Republicans?

Yes.

How would your organization raise funds for political action?

By voluntary individual contributions. There isn't any other way to raise funds for political action on a federal basis under the law.

Will the state organizations raise their own funds?

Yes. They also assist in getting voluntary contributions for the national group.

What is your politics, Mr. Meany?

Well, I have never been active in any party, although for many years I have been a registered Democrat.

Do you regard the present Congress as friendly or unfriendly to organized labor?

I would say the Congress as presently constituted is not favorable to the things labor stands for although we do have a number of good friends in both houses.

END

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EMPLOYEE STOCK PLANS ON UPSWING

More firms are boosting employee morale—and attracting new capital—through stock purchase programs for rank-and-file workers. Here's how the plans work

A GROWING number of American industries are taking more of their employees into partnership through stock purchase programs.

While the number of such programs is not yet large—some 20 firms provide stock bonuses for thrift plans and 28 have straight stock purchase or stock option plans—a distinct upward trend has been underway since the end of World War II.

Why this growth of interest in employee partnership?

More companies are coming to believe that there is value in encouraging employees to own a part of the business, thus creating personal interest in what the company is trying to do.

Many firms want to promote employee thrift to help provide a hedge against inflation, to educate workers in the advantages of the free enterprise system by practical example and, in some cases, to obtain working capital. Two basic categories

of stock purchase programs are:

In the Thrift Plan category let's consider du Pont. Du Pont employees with two years or more of service are now eligible to participate in a plan which works like this:

The employee sets his own monthly payroll deduction of not less than \$12.50 nor more than \$37.50 for the purchase of E Bonds. For every dollar deducted, du Pont will pay 25 cents to a trustee to buy company stock.

When enough money has been accumulated to buy a full share it will be put in the employee's name. After two years the stock will be turned over to him. The savings bonds will be held four years, then delivered to the employee in annual installments.

Employees can drop out of the plan any time and get their bonds. However, those who drop out in less than a year lose the company's contribution. Du Pont estimates about 73,500 of its 84,500 employees will be eligible to take part.

Standard Oil Company (Indiana) contributes 50 cents for each dollar an employee saves if the employee also contributes to the company's pension plan. An employee can save from two to six per cent of current earnings. The company contributions are invested only in company stock but the employee can keep his own savings in cash or have it invested in company stock, U. S. Savings Bonds, or any combination of the three. Two pay-off plans are offered.

The short-term plan pays off automatically every year after the employee has been saving for two years. Under certain conditions he can withdraw his own contributions more frequently.

Under the long-term plan, the employee can buy and sell securities, including those contributed by the company and the entire value of the account is given to the employee or his family in case of his death or retirement.

The National Industrial Conference Board, which has analyzed all of the plans, says the firms which have adopted the thrift plans believe they "will prevent a repetition of the misfortunes encountered by stock purchase plans in the '30's."

Instead of subscribing for a definite number of shares at a certain price to be paid for within a specified time as called for under most stock purchase plans, the employee builds up a fund under the thrift plan by means of payroll deductions to which the company adds its own contribution, either buying stock for the employee on the market or giving him the stock as a bonus on his savings.

The employee consequently risks no money of his own. He may with-

THE THRIFT PLAN

Employee puts his savings deducted from paycheck

into U.S. Bonds or pension fund



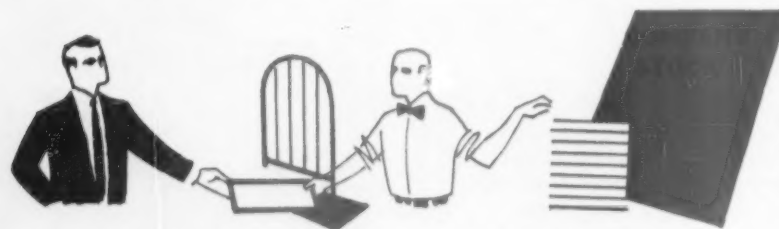
Company contributes up to half of employee's contribution for company stock



Employee may also put his own savings into company stock

STOCK PURCHASE

This plan provides for purchase of stock by the employee either in lump-sum payment or from payroll deductions for a specific number of shares. The plan may also be a stock option in which the employee contributes toward purchase of shares through payroll deductions but no stock is issued until the full number



of shares has been paid for. Under these plans the company makes its stock available for purchase by the employee, or issues new stock, but does not contribute toward its purchase.

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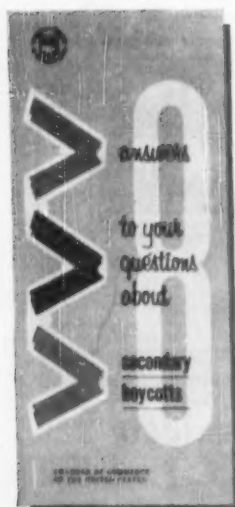
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The National Chamber has distributed many thousands of copies of this leaflet, "Eight Answers to Your Questions about Secondary Boycotts." It explains how the secondary boycott works, and what you can do to help ban it once and for all. Copy free on request.

► **TO KEEP** America strong and to keep the economy expanding, sound labor relations are essential. The Chamber of Commerce of the United States recognizes this. Also, the Chamber knows that employer and employee must rise or fall together. The welfare of the one is dependent on the welfare of the other.

Therefore, the Chamber works to promote good will between labor and management, in the interest of productive teamwork.

Today, a stumbling block stands in the path of harmonious labor relations — the secondary boycott.

► **LITTLE** that is good can be said for the secondary boycott, even by those who use it in an attempt to gain their own ends.

The secondary boycott is morally wrong.

It causes damage to innocent third parties.

Robert N. Denham, former general counsel of the National Labor Relations Board, characterized it as *economic blackmail*.

If you are a consumer, the secondary boycott can raise the price of goods you buy.

If you are an employee, the secondary boycott can put you out of work.

If you are an employer, it can ruin your business.

For example, in Smithfield, Utah, a union wanted to organize the employees of the Cache Valley Dairy Association, an organization of 1,600 dairymen, and one of the world's largest makers of Swiss cheese.

To strengthen its hand, the union resorted to the secondary boycott. Union members followed the Association's trucks to New York — about 2,300 miles — and picketed the place of delivery.

As a result of this picketing, the Dairy Association lost its New York market, and was forced drastically to curtail its cheese-making operations. Fifty employees lost their jobs.

► IN the Taft-Hartley Act, Congress intended to outlaw the secondary boycott. But labor leaders found loopholes which have enabled them to avoid the intent of the law.

Scores of secondary boycotts are now in operation. The use of this tactic is increasing.

FOR the good of business, for the good of labor, and in the public interest, the National Chamber is now conducting an intensive campaign to put an end to the secondary boycott.

This campaign is under the direction of a special committee made up of 32 business men, trade association executives, labor relations men and industrial relations men. The program is divided into four parts:

1. / **Getting the Evidence**—The National Chamber is gathering and analyzing factual, case-history information about secondary boycott practices in all parts of the country. Also, the Chamber is compiling and studying current court decisions on secondary boycotts and related issues.

2. / **Informing the Public**—Through its regular publications, through trade journal articles, pamphlets—over the air—and in other ways, the Chamber is putting the spotlight of publicity on the secondary boycott, explaining how it works, and pointing out the harm it does.

3. / **Helping the Employer**—By making available specific information to the employer, the Chamber is showing the employer how he can cope with the secondary boycott, how to combat it, and how to protect himself against its evils.

4. / **Testifying Before Congress**—The Chamber is prepared to testify before Congress when the proper time comes, to give Congress the facts—and to submit to Congress the recommendations of business for the solution of this problem.

WHAT YOU CAN DO TO HELP

► YOU can help in the National Chamber's campaign against the secondary boycott: 1) by distributing our pamphlets and printed materials; 2) by letting us know of any recent examples of the use of the secondary boycott in your city; and 3) by talking to your elected representatives in Washington and giving them your views on this issue, and the reasons back of your thinking.

CHAMBER OF COMMERCE OF THE UNITED STATES

Washington 6, D.C.

A National Federation Working for Good Citizenship,
Good Government and Good Business

WHAT IS A SECONDARY BOYCOTT?

A secondary boycott is a tactic which is used by a labor union in an attempt to force unwilling employees to join the union—or to win a labor dispute—without regard to injury to neutral third parties.

employer rights in secondary boycotts

WHAT IS THE LAW? / HOW IT PROTECTS YOU / HOW CAN YOU STOP IT?

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PUBLISHED BY PERMISSION OF THE UNITED STATES GOVERNMENT

This pamphlet, "Employer Rights in Secondary Boycotts," is new. It tells the employer in clear terms just what to do in case a secondary boycott hits his business, how to petition the National Labor Relations Board for relief, how to publicize his case, and how to go about it to recover damages. Copy free on request.

STOCK PLANS *continued*

it from \$4,000,000 to \$7,000,000. General Electric's program permits weekly payroll deductions that range from 75 cents to \$10. All employee contributions (up to \$50,000,000) are invested in savings bonds. The company adds company common stock equal to 15 per cent of the total savings. Thus, the more bonds employees buy, the greater the company's contribution in stock bonuses.

After five years the employee receives all bonds and accumulated interest plus his stock bonus and accumulated dividends. If the employee dies, his beneficiary receives the same. If the employee withdraws from the plan, he receives all bonds, dividends and cash derived from his own contributions, but forfeits his stock bonus. If he retires or leaves the company, he may leave his bonds on deposit and receive his stock bonus.

Under the stock purchase plan, the most recent entry is the New York Central Railroad. It is proceeding with a stock sale to its employees approved by the directors last spring. A total of 640,000 shares of the company's authorized but unissued stock has been set aside for the program, half to be offered in limited amounts at market price to all employees with two or more years of service and half set aside for key personnel. Stock will be bought through payroll deductions over a three-year period.

Employees may subscribe for no more than one share for each \$100 of annual salary or wages, and for no less than five nor any more than 200 shares. The company makes no contribution except to insure that funds obtained through sales to employees are used to purchase additional stock on the open market—thus making the plan self-perpetuating.

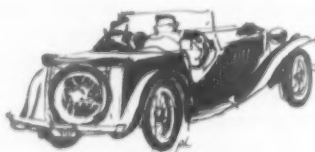
Such straight stock purchase plans are not numerous. Few stock purchase plans of this type were revived until the close of World War II, when a rising stock market, the end of many government bond selling campaigns and general prosperity—plus a new restricted stock option law—again aroused interest in straight stock purchase plans. Nevertheless, the Conference Board reports only 68 formal plans exist for selling stock directly to employees; of this number, 28 are active (with employees actually buying stock), 30 are inactive and ten have been discontinued.

Two principal types of programs are current in this field: 1. The

straight stock purchase, where the employee makes a commitment to buy a certain number of shares at a given price and immediately begins to make regular contributions toward paying for them. 2. The stock option, which is gaining rapidly in popularity as a means of selling stock to employees.

The stock option idea originated as a device for compensation of executives, but it has been modified to meet the needs of the wage earner as well. Under this plan, the employee is offered a definite amount of stock at a specified price. If he exercises his option to buy, payroll deductions begin immediately, but the money is held in his account until there is enough to cover the stock purchase. If he changes his mind and decides he doesn't want the stock, his money is returned.

The proportion of stock reserved for sale to employees, compared to total outstanding shares, ranges from seven tenths to 15.2 per cent, the Conference Board finds. Generally speaking, stock allocated for sale to employees is between one and four per cent of total outstanding shares. About 25 per cent of the plans provide for the purchase of stock at its market price on the day contracted for; others permit certain concessions, such as selling the stock at a percentage of its market value which may range from 85 to 95 per cent, or by offering shares at from \$1 to \$20



below market quotations. The stock may be paid for in cash or by payroll deductions.

Not all companies have been pleased with the results, says the Conference Board. The chief complaint has been the small number of workers taking part.

The over-all participation of eligible employees in straight stock programs is 26.6 per cent or about one in four. The average number of shares bought is less than 25 per employee. Ten plans have been discontinued because of unsatisfactory experience, the Conference Board says. The principal reason for abandoning these plans was that the price of the stock dropped below the price the workers paid for it. Conversely, in some companies, workers disposed of stock when the market value exceeded the purchase price.

The Internal Revenue Service has been issuing special rulings concerning stock purchase plans for the past two years. The general rule applied to most plans provides that, if a corporation transfers property or stock to an employee at less than the market value, the difference is taxable to the employee as straight compensation. If the employee buys stock or is granted an option to buy at no less than 85 per cent of market value, the differential is not subject to tax provided the employee holds the stock at least two years after the option is granted and at least six months after he exercises the option. Then, when the option is exercised, the employee is taxed on capital gains rather than income.

Under the general rule, too, the concessions made by the employer in stock pricing are treated as deductions. Section 421 of the Internal Revenue Act of 1954 sets up rules for stock option plans and applies where the general rules do not.

Options can be exercised within three months after an employee leaves the company, although a bill now in the Senate Finance Committee would extend that period to six months. If the company's stock drops below the price paid by the employee, the employee can deduct a capital loss. If companies merge, the extent and type of program must remain in its original form.

In addition to rulings by the Internal Revenue Service, many stock purchase programs come under surveillance of other government agencies, notably the Securities and Exchange Commission; where stock authorized for purchase by employees must be registered.

In addition, the New York Exchange lists two major requirements for listing on the Big Board: 1, listed companies must disclose a proposed employee stock offering plan to stockholders; 2, stockholders must approve any new or additional issue of stock. Some state laws and corporate charters provide that stockholders shall have equal rights to subscribe to new issues of stock before it can be offered to outsiders. Unless special provisions are made to waive these rights, common stockholders would have the privilege of subscribing to a stock issue offered to employees under a stock purchase plan.

The majority of active stock purchase programs, as distinguished from thrift plans with a stock bonus arrangement, are found in manufacturing industries.

In the savings and investment plans, which are rapidly becoming the most popular way to buy stock, oil companies lead the field. **END**

CONGRESS

continued from page 39

all members of the Senate or House. This report explains the bill in comparatively simple language. It presents arguments in behalf of the majority of the committee. It is supposed to brief all other members on the bill.

"But we now have reached the point where our committee report on the Supplemental Appropriation Bill was so voluminous that we had to have an index to the report," Senator Dirksen said.

The report is a valuable document to all members of Congress, for only a handful of them have an opportunity to attend hearings or read the hearing record or in any other way



get much more than a smattering of knowledge about a bill. Yet the report may be prepared by a committee or subcommittee clerk; it sometimes actually represents the opinions of only a few members.

With each senator having so many assignments, he can only look in at some hearings. The party in power selects the chairman of a committee, on a seniority basis, who presides over its sessions. Yet neither the chairman nor any other Democratic member of the Senate Agriculture Committee could be found to attend one particular session last summer and Senator Aiken, a Vermont Republican, was summoned to take charge. He conducted the hearing alone.

One wag on Capitol Hill says that sometimes "we operate as a one-man Congress." A subcommittee of one member will conduct a hearing, decide what should be done, recommend that action to the full committee, and the Senate is asked to pass on that one man's judgment because he is the only man who knows anything about it.

Other features of the 1946 Reorganization Act have not worked out as intended:

1. Except in time of war or national emergency proclaimed by the Presi-

dent, Congress should adjourn each year not later than July 31, "unless otherwise provided by Congress." Congress has met that target date only once—in 1952. In other years, it has simply provided "otherwise." Just last summer, Speaker of the House Sam Rayburn questioned Attorney General Brownell about the constitutionality of acts of Congress passed after July 31. Mr. Brownell, while declining to give an official opinion, said that some of the Korean war emergency provisions were still intact. So Congress stayed on three more days.

2. Regulation of lobbying: Annoyed from time to time by organized pressure drives which obviously did not represent a grass-roots outpouring of sentiment, Congress tried to force almost every outsider who had any relationships with Capitol Hill to report certain income and expenditures. But this attempt, in Title III, was set forth in ambiguities which the courts have been called upon to clarify.

Few people are satisfied with these provisions and bills are introduced each Congress to attempt to bring order out of chaos.

3. Legislative budget: The taxing and appropriating committees from the House and Senate were to team up early in each session to consider presidential budget proposals. They were to arrive at their own budget and set a ceiling on appropriations. If that total exceeded estimated income, Congress would have to adopt a resolution that the public debt would be increased automatically by the size of that deficit.

There were 102 members of the four committees; it was difficult to get them together. There were four committee chairmen; they did not see eye to eye. The resolution idea, probably involving a record public vote for each member of Congress, was not palatable. So the whole plan fell by the wayside.

On the other hand, some provisions of the Act have worked.

1. Salaries for members of Congress were increased from \$10,000 to \$12,500 and each was given a tax-free expense account of \$2,500. A liberal pension plan was created. There was considerable furor for a time over "bundles for Congress." (Congress this year increased salaries to \$22,500 and eliminated the expense account.)

2. Private bills involving small claims against the government had cluttered up congressional machinery for many years. Most of them were transferred to the federal courts.—DONALD A. YOUNG

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NATION'S BUSINESS
1615 H Street, N. W.
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Nationwide research survey coming

- New railroad will expand Latin market
- Scholarships attack shortage of researchers

Where U.S. spends \$4,000,000,000



The federal government is preparing a series of reports which, when complete, will give businessmen an unprecedented look at the full size, scope and economic importance of research and development in the United States.

The reports are being drawn up by the National Science Foundation in Washington. The first, dealing with research activities by industry and trade associations, will be released early this month. Subsequent reports will cover research and development work by independent research laboratories, state governments, the federal government, commercial research laboratories and other agencies. A summary report will be published in the spring of 1956.

Dr. Raymond H. Ewell, head of the Research Economics Group of the National Science Foundation, says the reports will have genuine utility for businesses engaged in research and for those which may be contemplating research programs. Taken together, the surveys will represent the first nationwide study of scientific research and development and will constitute an invaluable reserve of source material on who's engaging in research activities and how much the various participants are spending.

It already is known that more than \$4,000,000,000 is being spent for research and development in the United States each year. Industry and the federal government are the biggest spenders, but a surprisingly large amount is spent annually by state governments and universities.

The foundation's reports are expected to focus attention on facilities for research which may be used or hired by private companies which do not have facilities of their own.

These include research and development activities of the federal government and facilities of commercial research laboratories.

Original impetus for the foundation's survey of research came from President Eisenhower who, in an executive order, asked that the survey be made as a first step toward shaping policies that would strengthen America's total scientific research effort.

Line will open Ecuador frontier



The vast agricultural and mining interior of Ecuador will be brought some 350 miles closer to the United States when the Quito-San Lorenzo railroad is completed sometime next year.

The new railroad—which has taken 41 years to build—is expected to reinforce Ecuador's position as the world's No. 1 banana grower and exporter, and will open new opportunities for capital investment by American businessmen in roadbuilding, mining, farming, timbering, transportation facilities, power developments and other pursuits. Completion of the railroad also will make Ecuador a larger market for heavy equipment and manufactured goods from the U. S.

Construction on the 232-mile rail link to the deep-water port of San Lorenzo was started in 1914 and labor battalions are now driving spikes in the last 40-mile stretch from Ibarra to the Pacific.

The more direct route cuts about 350 miles off the present twisting roadway.

At times over the past four decades contractors have employed as many as 3,000 laborers at one time. Early this year, construction workers had completed a total of 11 bridges over roaring Andean streams and bored ten tunnels through snow-capped mountains.

When mountain and jungle conditions made it impossible to bring in bulldozers and other heavy equipment, all excavation, filling and grading was done by hand labor.

Freight service next year will be inaugurated with five 80-ton diesel

locomotives and 30 cars. Meanwhile a section of San Lorenzo Bay will be dredged to permit entry of the largest ocean-going vessels. Also planned are a lighthouse and improved cargo handling facilities.

Students sought for research



Seniors in college and graduate science students currently are engaged in scholastic competition which will contribute toward an easing of the nation's critical shortage of scientists.

At stake in the competition are more than 750 fellowship awards for a year of graduate scientific study during academic 1956-57. The fellowships will be awarded by the National Science Foundation under terms of its fifth annual graduate fellowship program.

Importance of the foundation's program is pointed up by the fact that foundation director Dr. Alan T. Waterman and other government officials recently have warned that the U. S. is falling behind the Soviet Union in the production of scientists and engineers. In some industries the need for research personnel is critical.

Progressive companies and their foundations also are acting to correct the national deficiency in scientists and engineers. A typical program is that of Shell Companies Foundation, Inc., which is underwriting summer seminars at Stanford and Cornell universities for 60 high school science and mathematics teachers yearly.

Aim of the Shell program is to inspire those science teachers who, in turn, can best inspire their students—the scientists and science teachers of tomorrow.

Students with doctor degrees who wish to participate in the competition for the fellowships have until Dec. 19 to make application to the National Science Foundation in Washington, D. C. Jan. 3, 1956, is the deadline for graduate students working toward advance degrees in science. Selections will be announced on March 15.

According to Dr. Waterman, the fellowships are awarded to American citizens who will begin or continue their studies at the graduate level in the mathematical, physical, biological, medical, engineering and other sciences during the 1956-57 academic year. Since 1952 more than 1,400 students have been awarded fellowships under the program. Foundation fellows may attend any accredited nonprofit institution of higher education in this country or abroad.

"Now you listen to me!"

HERE IT COMES, I thought as Tom Anderson wagged his finger in high indignation. I kept still when he told me . . . "the chamber is run by a clique" . . . and I let him have his say.

For Tom's little printing plant is a town landmark, and his small businessman's viewpoint is important.

HE GAVE IT TO ME! He argued . . . "it's only good for the special interest, big business groups. The chamber of commerce wouldn't help me or the community if you signed up every businessman in town. And it's high time you knew . . ."



I KNEW ALL RIGHT—just how wrong he was. So we got rid of that "big business, special interest" stuff with a look at a roster of the chamber's directors. The names and companies alone scuttled his argument about "cliques." But I couldn't resist pointing out the wide cross-section of business they represented.

IT REALLY SUNK IN when I explained . . . "The members elect new directors every year. These men assume their responsibilities by a vote of the entire membership . . . big, middle-size and small businessmen. A clique wouldn't have a prayer!"

THE CLINCHER CAME when he saw how the chamber backed community improvements here in town . . . how bringing in new industries meant more orders for him. When I sold him on joining last year, Tom listened. But this year he's talking . . . even served on a committee . . . hopes to make it as a director at the next election.

Pete Progress

Speaking for
your chamber of commerce

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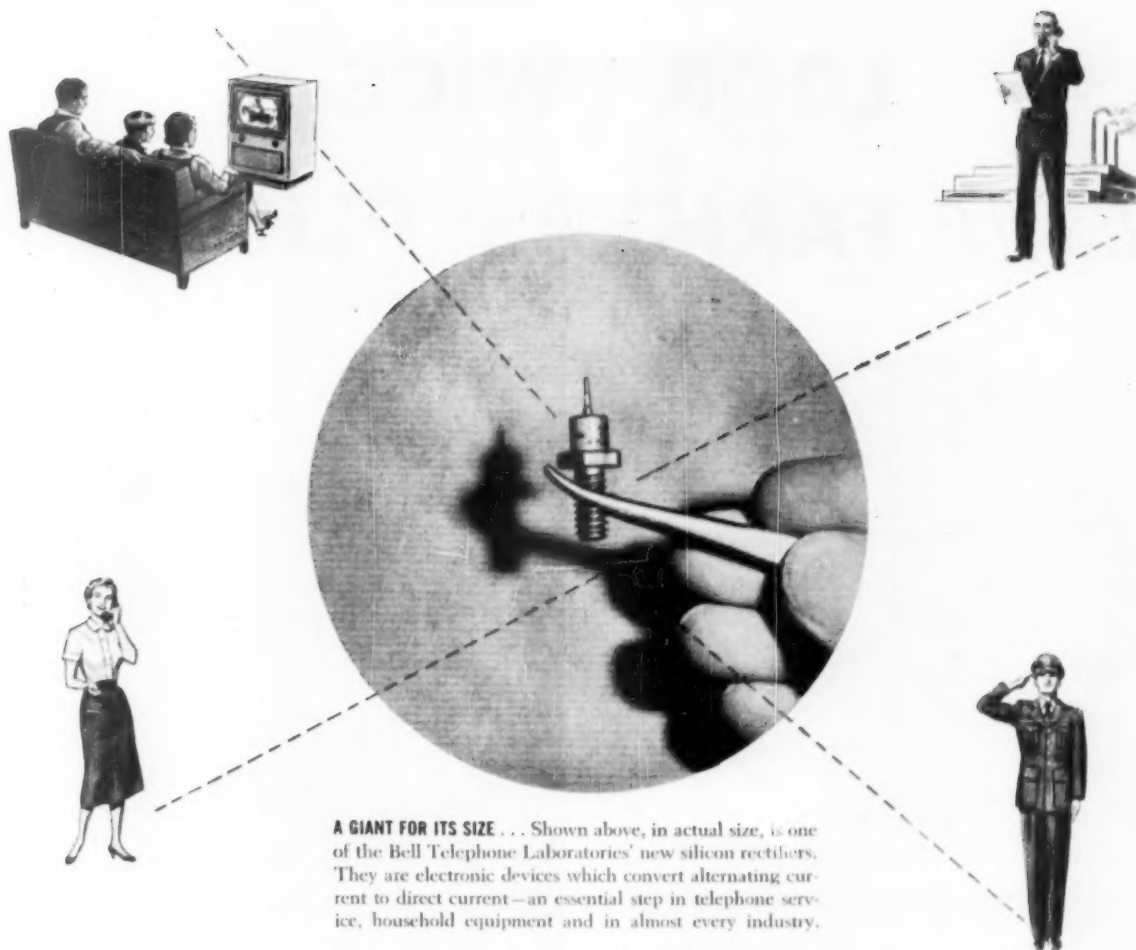
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A GIANT FOR ITS SIZE . . . Shown above, in actual size, is one of the Bell Telephone Laboratories' new silicon rectifiers. They are electronic devices which convert alternating current to direct current—an essential step in telephone service, household equipment and in almost every industry.

Another New Electronic Development from Telephone Research

IMPORTANT NEW SILICON RECTIFIER, WITH MANY POSSIBILITIES IN TELEPHONY AND OTHER FIELDS, IS PRODUCED AT BELL TELEPHONE LABORATORIES

The new silicon rectifier is an example of how telephone research, though primarily for communications, brings benefits to many other industries and to many people.

It is a product of original work at Bell Laboratories which produced the Transistor (mighty mite of electronics) and the Bell Solar Battery (first device to convert sunlight into substantial amounts of electricity).

The new rectifier is expected to have an almost unlimited life span. It is much smaller than tube rectifiers of equal performance and it does not require the bulky cooling equipment of other metallic rectifiers.

Its small size permits the use of miniature units. Yet the new techniques may also be applied to larger sizes and thus provide entirely new current and power possibilities.

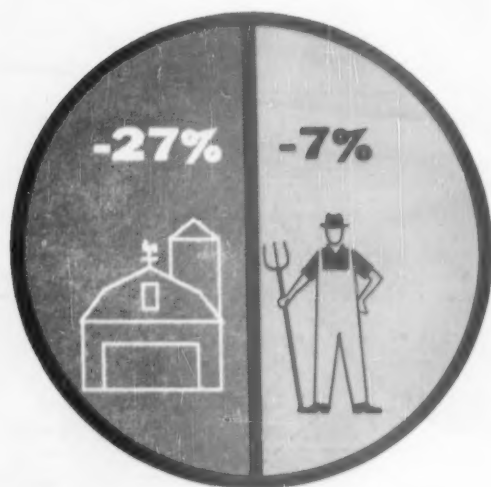
In the Bell System the new rectifier will supply direct current more economically for telephone calls. It can also have important uses in television, computers, industrial machines and military equipment.

Many other benefits for telephone users and for all the people will continue to come from this long-range pioneering work in electronics at Bell Telephone Laboratories.

BELL TELEPHONE SYSTEM



LOOK TWICE *at the* FARMERS' PLIGHT



THE PLIGHT of agriculture is worrying the nation. This is hardly news.

Except for rare intervals, the plight of agriculture has worried the nation continually since World War I. Legislation conceived to alleviate this condition has been so ineffectual as to suggest some new diagnosis. Perhaps this disease will never respond to cure by statute.

Certainly it will not respond to remedies whipped up hastily to meet political contingencies—which threaten to be the way the next nostrums will be prescribed. It is not inconceivable that the scramble to win the farm vote in a national election may inspire agriculture relief measures that the farmers, the politicians and the nation as a whole will regret. Voters will be told that these measures are needed because if agriculture is sick the rest of our economy cannot be healthy.

Accepting this premise as true at this moment, the rest of the syllogism seems to follow like this: The rest of the economy is magnificently healthy. Ergo, agriculture cannot be very sick.

To measure the malignancy of our agricultural malaise, the Agriculture Department of the U. S. Chamber of Commerce has assembled some figures. They will

serve as a useful guide to those who wish to weigh in the scales of fact the inevitable campaign oratory on the farm situation.

Looking at the farm business as a whole, its gross receipts from sales of products declined from \$32,800,000,000 in 1951 to an estimated \$29,200,000,000 for this year. This is an 11 per cent drop in gross income. The drop in net income is estimated at 27 per cent for the same period. This is not good.

But in 1920 and 1921 gross farm income dropped 41 per cent; net income dropped 60 per cent. In 1930, 1931 and 1932, gross farm income dropped a total of 50 per cent; net income fell 69 per cent.

In the single year, 1938, net farm income fell 18 per cent; in 1949 it fell 13 per cent.

In the past four years, too, farm population (now 22,000,000) has declined by almost 12 per cent—the number of farm workers by 20 per cent. The fact that fewer people share it means that net farm income per worker has declined seven per cent in the past four years.

This seven per cent is a reasonable measure of the farm problem.

It is magnified when compared to other incomes:

From 1951 to '55 labor income increased 22 per cent; income from dividends, 19 per cent; income from interest, 34 per cent; business and professional income, nine per cent.

Thus the farmer, who bears his misery alone today, is probably even more miserable than in the 1920's and 1930's when he shared his misery with others. The danger is that political opportunism may lead to remedies to cure his misery rather than his ailments.

Certainly a declining income does not indicate a robust agriculture. But an industry which, with fewer workers on fewer acres consistently produces more and better products, is not a decadent industry. Politicians, farmers—most of all the citizens—need to keep in mind that desperate, emergency measures may aggravate rather than cure a seven per cent disease.



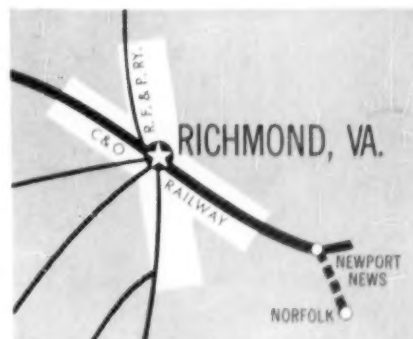
X marks the spot

The right location for Ford's Virginia Parts Depot was marked by a big X on the map at Richmond—the spot where the east-west mainline of the Chesapeake and Ohio crossed the principal north-south railroads.

From its Richmond location, Ford is ideally situated to serve its 352 Ford, Lincoln and Mercury dealers in Virginia, North Carolina, District of Columbia and parts of Maryland and West Virginia. And the C&O gives fast, direct service from Detroit and other Midwest points.

For emergency shipments, the Ford Depot is practically across the street from Richmond's Byrd Airport. The many advantages of this Richmond Airport Industrial Development make it a logical distributing center for this area.

If you are seeking a site for a plant or warehouse to serve Richmond and the surrounding territory, a Chesapeake and Ohio Pin-Point survey will provide detailed information on this desirable location. Send your inquiry in complete confidence to Chesapeake and Ohio Railway, Industrial Development Department, Cleveland 1, Ohio.



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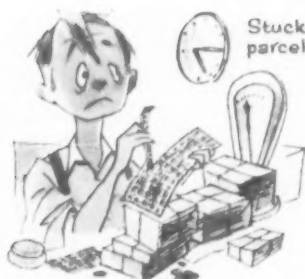


Get the day's mail out in a jiffy

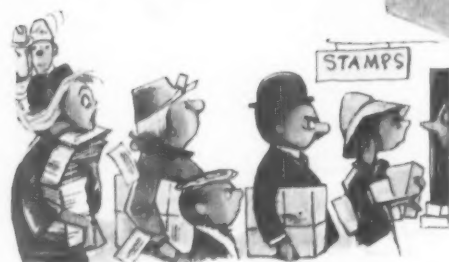
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